NATIONAL ASSOCIATION OF COOPERATIVE CREDIT UNIONS OF THE GAMBIA (NACCUG)

FINANCIAL LITERACY TRAINING MANUAL

FOR FIELD OFFICERS

PREPARED BY: NACCUG

FUNDED BY: IRISH AID PROJECT

JANUARY 2013

KANIFING INSTITUTIONAL AREA

Contents

1. INTRODUCTION

In support of Governments' effort in promoting private sector involvement in national development, the National Association of Co-operative Credit Unions of The Gambia (NACCUG) was established in 1991 as the Apex body of Credit Unions.

NACCUG is aware of the need to build the capacity of Staff, Board Members and Volunteers in order to sustain progress made. It is against this background that this Financial Literacy Sub Project was conceived and developed with support from Irish League of Credit Union Foundation and funded by the Irish Aid. Subsequently this Training Manual is designed and developed for NACCUG Field Officers. The Manual is intended to serve as a guide for the trainers so that they could provide the necessary and relevant training methodologies and techniques to enable the members benefit and understand the cost of the services offered by their Credit Unions.

2. HOW TO USE THE MANUAL

This manual should be used purely as a facilitator's guide. The sessions under each module are presented with an objective (s) in order to facilitate the assessment of participants understanding and depth of knowledge at the end of each session. Following the objective(s) are the topics to be covered and the estimated time for each session. However, the facilitator should feel free to adapt the time suggested to the needs of participants. To enhance a participatory learning process, some methods of presentation and the steps to follow are also outlined. The manual also provides some background information on each session. The information is also meant to aid the facilitator in the preparation for the session. Like all participatory methods, the involvement of the participants in all stages of the learning process is vital. However, all users of this manual must study and research into the content of each module prior to presentation.

3. USERS OF THE MANUAL

The manual is intended to be used by Credit Union Field Officers who in many cases serve as facilitators at various levels of the Credit Union.

4. PRESENTATION METHODOLOGY

The methods of presentation outlined in the manual are suggested as a guide to the facilitator. The facilitator is expected to use his or her judgement in selecting the appropriate method or combination of methods in presenting each session.

5. ASSESSMENT

At the end of each session, the facilitator is expected to assess/evaluate the participants understanding and level of knowledge by using a simple question and answer session as appropriate. In some of the sessions assessment questions are suggested whilst in some the facilitator is given a free hand in determining the kind of questions to be asked. However, all assessment must relate to the session.

6. TIPS

Please encourage participants by listening to and sharing their ideas within the group.

The main objective of this Manual is to build the capacities of facilitators involved in our credit unions at the grassroots level in order to promote learning and development of the credit unions. It aims at developing their skills and knowledge in financial literacy training, while sensitising them to issues that are at the very heart of adult literacy and education.

In this regard, each of the six modules of the Manual addresses essential themes in the context of financial literacy:

Module 1: Benefits of financial literacy

- Types of financial institutions
- Common bond
- Benefits and Risks

Module 2: Savings

- Savings and types of savings
- Importance of savings

Module 3: Loans and interests

- Loans and Types of loans
- Loan Interests

Module 4: Use of Membership Passbook

- Definition and Elements of a Passbook
- Updating the Passbook

Module 5: Income and Expenses

- Definition and sources of income
- Types of expenses (definition)

Module 6: Use of Mobile Phones and Calculators

- Functions of the mobile phone – SMS, mobile banking, calculation
- Use of the Calculators (symbols and operations)

MODULE 1: BENEFITS OF FINANCIAL LITERACY

INTRODUCTION

In this Module, participants will learn about the different types of Financial Institutions, the Common Bond and the benefits and risks associated with credit unions. The Module is divided into 3 Sessions as follows:

- Session 1: Types of financial institutions
- Session 2: Common bond
- Session 3: Benefits and Risks of Credit Unions

Overall Objective(s): By the end of the sessions, participants will be able to describe and explain the benefits of Financial Institutions and how this relates to credit unions.

Session 1: Types of financial institutions

Specific Objective: By the end of the session Participants will be able to explain and describe the types of financial institutions available and how they differ with Credit Unions.

Presentation Time:

Materials: Flip Charts, cards, markers

METHODS: Brainstorming, Discussion, Question and Answer, Group Work

STEP 1: Brainstorm on the different types of Financial Institutions available & give the necessary information to augment the responses.

STEP 2: Discuss on the advantages and disadvantages of Financial Institutions including Credit Unions.

STEP 3: Divide the participants into groups to discuss the advantages and disadvantages between Credit Unions and other financial institutions.

STEP 4: Get the groups to share their discussion points and lead the members to underscore the role of Credit Unions.

STEP 5: Discuss the relevance and importance of Credit Unions and let them list the elements of Credit Unions.

STEP 6: Help link the factors that enable members to understand the importance of Credit Unions as a poverty alleviation strategy.

SUMMARY

A financial institution is an establishment that conducts financial intermediation such as deposits, loans and investments. Almost everyone deals with financial institutions on a regular basis. Everything from depositing money to taking out loans and exchanging currencies must be done through financial institutions.

Tips for the Trainer

- Please encourage participants by listening to and sharing their ideas within the group.
- Encourage participants to list what they know about financial institutions.
- Use the knowledge and experiences as much as you can.

ASSESSMENT

Get participants to explain and describe the different Financial Institutions and their advantages and disadvantages.

Background Information for the Facilitator

An overview of some of the major categories of financial institutions and their roles in the financial system are:

Corporate Financial Institutions

a) **Commercial Banks** - accept deposits and provide security and convenience to their customers.
b) **Investment Banks -** While investment banks may be called "banks," their operations are far different than deposit-gathering commercial banks. An investment bank is a financial intermediary that performs a variety of services for businesses and sometimes for governments.
c) **Insurance Companies -** pool risks by collecting premiums from a large group of people who want to protect themselves and/or their loved ones against a particular loss, such as a fire, car accident, illness, lawsuit, disability or death.

Nonbank Financial Institutions

The following institutions are not technically banks but provide products and services similar to the ones mentioned above:

a) VISACAs are mobilized at the village level and are somewhat similar to Credit Unions.
b) Credit Unions are another alternative to regular commercial banks. Credit unions are almost always organized as not-for-profit financial institutions.

Informal Institution

c) OSUSU are informal savings made mostly by women by agreeing on contributing a given amount on regular intervals and one person collects it.

Session 2: Common Bond

Objective: By the end of the session, participants will be able to describe and explain the importance of the common bond in a Credit Union.

Presentation Time:

Materials: Flip Chart and Markers, Cards, Manual

METHODS: Discussions, Brainstorming, Question & Answer, Group Work

STEP 1: Brainstorm on the definition and importance of common bond starting with what people have in common, their interests and how they pursue these. You can also use the links these have with their families, communities, workplace, etc.

Step 2: List all the suggestions and answers (encourage those not talking to talk) and remember there are no wrong answers.

Step 3: In groups let participants refine the common interests to narrow down why they have come together to form their respective credit unions

Step 4: Explain the concept of common bond and how this is related to laying the foundation of credit unions.

STEP 5: Ask groups to present their discussion points and lead the members to underscore the role of credit unions and the link with the common bond.

SUMMARY

In the Gambia as in most other countries, the credit unions are becoming prominent financial institutions and are for mutual savings and loans.

Credit unions are regulated financial institutions dedicated to mobilize savings and give out loans, and other basic financial needs of selected groups of consumers. By law, credit unions are financial cooperatives controlled by their members—under the principle of "one-member, one-vote." In addition, credit union members must be united by a "common bond" –e.g. occupation or association, or (belong) to groups within a well defined neighbourhood, community, or rural district"

Tips for the Trainer

- Guide the participants by using the notion that all members have networks they belong to- the family (blood and other social relations) community, workplace, school, etc.
- Emphasis should be on the importance of the common bond and how it can help establish trust and confidence among members
- Encourage all participants to discuss and participate - group work is one effective way for this to happen.

Background Information for the Trainer

In the Gambia as in most other countries, the credit unions are becoming prominent types of financial institutions and are for mutual savings and loans.

Credit unions are regulated financial institutions dedicated to mobilise saving and loans and other basic financial needs of selected groups of consumers. By law, credit unions are financial cooperatives owned and controlled by their members—under the principle of "one-member one-vote." In addition, credit union members must be united by a "common bond of occupation or association, or (belong) to groups within a well defined neighbourhood, community, or rural district"

It is sometimes possible that credit unions agree to open up common bond to encourage member participation in the mobilization of funds.

Session 3: Benefits and Risks of Credit Unions

Objective: By the end of the session, learners will be able to describe and explain the different returns (benefits) and risks associated with financial institutions in general and credit unions in particular.

Presentation Time:

Materials: Flip Chart and Markers, Cards, Manual

METHODS: Discussions, Brainstorming, Question & Answer, Group Work

STEP: 1 Review the previous sessions and brainstorm on the advantages and disadvantages of financial institutions and the common bond in a Credit Union.

STEP 2: List all the suggestions and answers (encourage those not talking to talk) and remember there are no wrong answers.

STEP 3: In groups let participants define the benefits of credit unions - pay for education, health care services, food and shelter among others

STEP 4: Ask groups to present their discussion points and lead the members to underscore the role of credit unions and the link with the common bond.

STEP 5: Ask questions on the benefits of Credit Unions.

STEP 6: Discuss the risks and problems that may hinder the growth of credit unions. Encourage participants to give testimonies of their own experiences.

STEP 7: Discuss how the risks and problems identified could be avoided.

Summary

It is important to note that Credit Unions are Non-profit-orientated institutions. As oppose to **banks** and other lending institutions, they focus on services to members. Part of the surplus income accrued is paid back to member as interest and dividend on savings and shares respectively. It is also owned and run by members thus making them credible and democratic in nature. It is also both inclusive and participatory using the common bond and other principles.

Tips for the Trainer

- Guide the participants by using the notion that all members have networks they belong to- the family (blood and other social relations) community, workplace, school, etc.
- Emphasis should be on the importance of the common bond and how it can help establish trust and confidence among members
- Encourage all participants to discuss and participate - group work is one effective way for this to happen.

Background Information to the Trainer

The benefits associated with Credit Unions include

1. **Non-profit status: B**anks and other lending institutions are looking for a return on an investment when a member takes out a loan. Credit unions, however, have no stockholders looking at the return on their investment, but their members

2. Democratic process: The board of directors is elected by the union's membership and works on a volunteer basis. Unlike banks, credit union members have a direct say in who's elected to run the credit union affairs

3. Inclusiveness: Credit unions have long-standing reputations for allowing spouses, siblings, and children of members to join.

Risks associated with Credit Unions especially with loans and savings could be the following:

- Governance risks- malfunctioning board, conflict of interest,
- Delinquencies on loans
- Interest rate risks-
- Mismanagement of funds

ASSESSMENT: Ask participants questions to benefits and risks associated with credit unions.

MODULE 2: SAVINGS

INTRODUCTION

In this Module, participants will learn about savings and the different types of savings available in various financial institutions within their community. The Module is divided into 2 Sessions as follows:

- Session 1: Savings and types of savings
- Session 2: Importance of savings

Overall Objective: By the end of the session, participants will be able to define savings and explain the different types of savings in various financial institutions within their community.

Session 1: Savings and types of savings

Specific Objective: By the end of the session participants will be able to explain the importance of savings and the reasons for saving money.

Presentation Time:

Materials: Flip Charts & Stands, Markers

Methods: Brainstorming, Discussion, Question and Answers

STEP 1: Brainstorm on participants understanding of savings & give the necessary information to enhance their responses.

STEP 2: Discuss on the types of savings.

STEP 3: List down participants' answers on the flipchart or black board.

STEP 4: Ask participants to list the different types of savings from different financial institutions including Credit Union.

Summary

Savings refers to money set aside for the purpose of future use. Savings generally represent only one part of an individual's income and, unlike investments; they usually have a minimal exposure to risk. For example, Savings will often be deposited into a savings account where the funds will earn a nominal amount of interest and will be insured in most cases.

Different financial institutions have different savings products offered to their customers depending on the nature and scope of the institution's operations. However, the most common forms of savings products are savings and deposit accounts. The savings account accords the holder to maximise returns on the deposits after a given period of time.

Tips for the Trainer

- Please encourage participants by listening to and sharing their ideas within the group.
- Some ideas on what is required to enable savings mobilization: increase in income, reduce unnecessary expenditure and planning ones income.

Assessment: Get participants to mention the different types of savings products.

Background Information

Savings is the process of setting aside a portion of current income for future use, or the resources accumulated in this way over a given period of time. Savings may take the form of bank deposits and cash holdings or securities. How much individuals save is affected by their preferences for future over present consumption and their expectations of future income.

If individuals consume more than the value of their income, then their saving is negative and they are said to be dissaving. Individual saving may be measured by estimating disposable income and subtracting current consumption expenditures. A measure of business saving is the increase in net worth shown on a balance sheet.

Total national saving is measured as the excess of national income over consumption and taxes. Saving is important to economic progress because of its relation to investment: an increase in productive wealth requires that some individuals abstain from consuming their entire income and make their savings available for investment.

Session 2: Importance of Savings

Specific Objective: By the end of the session participants will be able to describe the importance of savings in groups.

Presentation Time:

Materials: Flip Charts & Stands, Markers

Methods: Brainstorming, Discussion & Question and Answer & Group Work

STEP 1: Brainstorm the importance of savings

STEP:2 Discuss and list down participants' responses

STEP 3: Ask about the relevance and importance of savings with the participants.

STEP 4: Summarise the points in a bid to achieve maximum understanding.

STEP 5: In groups ask participants to explain their understanding of the session.

STEP 6: Group presentation on savings and its advantages.

Summary

We save, basically, because we can't predict the future. If we could, we would know precisely how much money we would need for the things that we want and need. But because we can't do this, the need to save money for the future is vital. It provides a great deal of financial security - and even people on a budget and with debts to repay may be able to cut back on certain elements of their spending and put that money into savings.

TIPS:

- Please encourage participants by listening to and sharing their ideas within the group
- Discuss some of the ideas for savings: emergency, retirement, education, building a house, buying a car, pilgrimage, etc.

BACKGROUND INFORMATION FOR THE FACILITATOR

The following are important reasons to save money by various people depending on the need:

- Emergency Funds - It is important to have an emergency fund set aside to cover unexpected expenses. This could cover your emergency or a sudden job loss. Ideally your emergency fund should be about three to six months of your expenses. If you are just starting out you should put aside some money for this purpose. In addition to your emergency fund you may have a plan and good insurance in place to help you survive the unexpected financial events in your life.

- Retirement - Another important reason to save money is your retirement. The sooner you start saving for retirement, the less you will have to save in the future. You can put your money to work for you. As you continue to contribute overtime you will be earning more interest on the money you save. You should at least be contributing up to your employer's match and eventually you will want to contribute ten to fifteen percent of your gross income.

- Building a house - Another reason to save money is for one to make a down payment on a house. Your negotiating power goes a lot farther when you have a significant down payment towards your home. You will receive better interest rates, and be able to afford a bigger home. You can determine how much you save towards this each month depending on your circumstances.

- Buying a Car - One will be amazed at how much money you can free up in your budget if you do not always have a car payment. You can also negotiate the price of the car much lower if you are willing to pay cash at the dealership.

- Save for Sinking Funds - A sinking fund is money you set aside for future repairs or improvements on your car, home or other possessions. This planning can help you to stop dipping into your emergency fund every time you need to fix your car, farming implement, etc.

- Education – Another reason to begin saving money is for ones future education. Each year more people return to school to earn their degrees. You may also consider saving for your child's education when the time comes.

MODULE 3: LOANS & INTEREST

INTRODUCTION

In this Module, participants will describe the types of loans available in credit unions and the interest rates that accrued from the credit union loans. The Module is divided into two Sessions as follows:

- Session 1: Loan and types of loan products
- Session 2: Loan interest

Overall Objective: By the end of the sessions, participants will be able to explain the types of loans offered by financial institutions and the terms and conditions of the loans.

Session 1: Loan & types of loan products

Specific Objective: By the end of the session participants will be able to explain the meaning of a loan and explain the types of loan products available in a Credit Union

Presentation Time:

Materials: Flip Charts & Stands. Markers, Board & Chalk

Methods: Brainstorm, Discussion & Question and Answer)

STEP 1: Brainstorm on the type of loans available in financial institutions

STEP 2: Discuss the types of loans available in credit unions.

STEP 3: Discuss the terms and conditions of some of the loan products.

STEP 4: Explain the Five Cs of credit in financial institutions such as Capital, Capacity, Collateral, Condition and Character.

STEP 5: Ask participants about their understanding of the discussion points.

Summary

A loan is an arrangement in which a lender gives money or property to a borrower and the borrower agrees to return the property or repay the money, usually along with interest, at some future point(s) in time. Usually, there is a predetermined time for repaying a loan, and generally the lender has to bear the risk that the borrower may not repay a loan (though modern financial institutions have developed many ways of managing this risk).

Assessment: Ask participants to explain:

1. What is a loan?
2. Conditions for applying a loan
3. Types of loan products in a credit union

Figure 1: Bunch of Banknotes

TIPS:

- Please encourage participants by listening to and sharing their ideas within the group
- Some ideas on what is required to enable a member access loan from the credit union: membership, personal savings, collateral, capacity to pay, condition of loan, character of the individual.

BACKGROUND INFORMATION FOR THE TRAINER /FACILITATOR

Loans come in all shapes and sizes but overall there are two main types, secured and unsecured loans. With a secured loan the lender can force the sale of the asset the borrower has offered as security against the loan. On the other hand for an unsecured loan the lender relies on the borrower's promise to pay the money back. There are many loans on the market designed for different purposes and people in different circumstances. Understanding how loans work is the first step in borrowing responsibility.

Session 2: Loan Interest

Specific Objective: By the end of the session participants will be able to understand interest calculations and cost of loans secured from Credit Unions and other financial institutions.

Presentation Time:

Materials: Flip Charts & Stands. Markers, Board & Chalk

Methods: Brainstorming, Discussion, Demonstration, Group Work,

STEP 1: Brainstorm on the meaning of “Loan”

STEP:2 Discuss on interest and cost of a loan

STEP 3: Fatou is a member of the Foni Kansala District Credit Union. She contracted a loan to pay for her child’s school fees amounting to 1000 Dalasi and to be repaid in 6 months at an interest of 16% per annum.

In groups discuss the cost of Fatou’s loan by calculating the principal + interest to arrive at the total cost of the loan.

STEP 4 Groups will present their work in plenary and discover the cost of the loan.

STEP 5: Discuss the outcomes and explain the importance of understanding the cost of loans.

Summary

Before you take out a loan, you need to know several things about the loan including how much it will cost you to pay back the loan. There are for example different methods credit unions and other lenders use to calculate the cost of the loan referred to as interest and each method may change the amount of interest or other costs you pay. If you know how this is calculated you will better understand your loan contract and also be in a better position to negotiate the interest rate with your lender. Credit Unions will quote the interest.

Examples of interest rate calculation

If you borrow D1000 from a credit union for one year and have to pay D50 in interest for that year, your stated interest rate is 5%. Here is the calculation below:

Simple Interest Loan = Interest/Principal x100% = D50/D1000 x 100% = 5%

Therefore, the interest paid is the same as the stated rate in the example above.

D100 x **5%** x **1 year** = **D5**
or

D100 x **.05** x **1 year** = **D5**

Note that the interest rate (5%) is written as a decimal (.05). To do your own calculations, you'll need to convert percentages to decimals. An easy way to remember is to think of the word "percent" as "per 100." Then, you can convert a percentage into its decimal form by dividing by 100.

Example to help a borrower understand overall cost of the loan

She needs 1,000 dalasi and can pay in 6 months in one repayment. The CU says that it's interest rate is 16% per annum. The borrower should ask the CU to give her in writing the total cost of the loan. The CU shows the borrower that the loan costs D1,000 X 16% = D160 if the loan is repaid after one year. But the loan is repaid after 6 months, so the cost is 160/2 = D80.

There are no other costs or fees for this loan hence the total cost = D80. Total amount due after 6 months = D1,080

<u>Comparison to other MFI</u>

The Micro Finance Institution (MFI) VISACA tells the borrower that the interest rate is 10%.The borrower should ask the MFI staff to give her in writing the cost of the loan and the total amount to be repaid.

The MFI then writes down: Interest = 1,000 X 10% = D100. Also there is an administration fee of D50, so the borrower learns that the total cost of the loan is D150. Hence, the total amount to be repaid after 6 months = D1,150.

Discuss with group why the MFI is more expensive? (Answer - because what it quotes as its interest rate is not real annual interest rate but a flat rate added on at the beginning).

Also inform them that some MFIs add penalty costs onto the loan among other cost.

- What happens if the borrower wants to repay the loan earlier than the due date. This is good because then the borrower should pay less interest.

In the above example, if the borrower repays the D1,000 to the CU after 3 months then the interest amount should be half of the 6 months cost. Total interest (D50) + administrative fee (D50) and the total amount payable after 3 months = D1,100.

Assessment: Evaluate participants understanding by asking the following questions:

1. What is a loan interest?
2. How is interest calculated on a credit union loan?

BACKGROUND INFORMATION FOR THE FACILITATOR

Interest is a fee paid by a borrower of assets to the owner as a form of compensation for the use of the assets. It is most commonly the price paid for the use of borrowed money, or money earned by deposited funds.

Simple interest is money that you pay on a loan. For example, when you borrow money, you have to repay the loan along with a little extra. Interest is that *additional* money, and the amount of interest is calculated based on the original sum of money (called the "principal").

When money is borrowed, interest is typically paid to the lender as a percentage of the principal, the amount owed to the lender. The percentage of the principal that is paid as a fee over a certain period of time (typically one month or year) is called the interest rate. The interest is calculated upon the value of the assets in the same manner as on money.

Interest is compensation to the lender:

- Risk of principal loss, called credit risk; and
- Forgoing other investments that could have been made with the loan.

These forgone investments are known as the opportunity cost. Instead of the lender using the assets directly, they are advanced to the borrower. The borrower then enjoys the benefit of using the assets ahead of the effort required to pay for them, while the lender enjoys the benefit of the fee paid by the borrower for the privilege and interest is most often calculated on a daily, monthly, or yearly basis.

The point to stress is that the borrower should always be informed in writing of the real cost of the loan, the total amount to be repaid and the due date for repayment (or is the amount payable per week/month instalments).

The borrower can then understand:

- which lender offers the best value; if she can really afford to take the loan and if the business venture she is investing in will make enough profit to repay the loan and loan cost.

MODULE 4: USE OF MEMBERSHIP PASSBOOK

INTRODUCTION

In this module, participants will learn about the first stage in processing member's transaction as they occur through Receipt & Voucher and recording the transaction in the members Passbook. This module is divided into two sessions as indicated below:

- Session 1: Definition and Elements of the Passbook
- Session 2: Updating the Passbook

Sessions 1: Definition and Purpose of a Passbook

Overall Objectives:

1. By the end of the session participants will be able to define a Passbook and its purpose.
2. By the end of the session participants will identify the elements in the Passbook.

Presentation Time:

Materials: Flip Chart and Markers, Cards, Manual, Passbook

Methods: Focus Group Discussion, Brainstorming and Question and Answer

STEP 1: Brainstorm and discussion on the definition of a Passbook and its purpose

STEP 2: Explain the elements of the passbook

STEP 3: Brainstorm and discuss on how to update member's passbook.

SUMMARY

A passbook is an entry book for recording all the financial transaction of the member in a given credit union. The member is expected to maintain the passbook in his/her custody at any point in time. The passbook will help promote transparency and accountability for the financial transaction that took place.

Tips for the Trainer:

- Please encourage participants by asking questions, listening to their contributions and showing them ideas within the groups

- The first steps in updating the passbook is processing members transactions as they occur through the receipt or the Out Voucher and recording the transaction in the passbook

- A member of a Credit Union should ensure that the passbook is at his/her possession and should present it whenever he/she is going for any financial transaction.

ASSESSMENT: Ask the participants the following questions

1. What is a passbook?
2. What is the importance of a passbook?
3. What are the elements of a passbook?
4. What are some of the requirements in updating a passbook?

Background Information for the facilitator

The passbook has three components

1. Saving and Loan Account
2. Share Account
3. Entrance/Membership Fee Account

<u>*Sessions 2:* Updating the Passbook</u>

Overall Objectives: By the end of the session participants will be able to update a Passbook.

Presentation Time:

Materials: Flip Chart and Markers, Cards, Manual, Passbook

Methods: Focus Group Discussion, Brainstorming and Question and Answer

STEP 1: Brainstorm and discuss on how to update member's passbook.

STEP 2: Divide the participants in groups to update sample transaction in the various components of the Passbook.

STEP 3: Groups to share reports at plenary

STEP 4: Discuss group reports

SUMMARY

A passbook is used to enter member's financial transaction in a credit union, the book is maintained by the member.

Example a new member who registered with Ndembalanteh Credit Union and paid D350.00 for which D100.00 is entrance fees, D100.00 Shares and D150.00 for Savings. A receipt would be raised first to categorise the transactions into various components then the receipt would be posted into the member's passbook below into various accounts.

SAVINGS ACCOUNT

Date	Record No	Paid In	Taken Out	Interest Paid	Balance
01/11/12	6707 R	D150	-	-	D150

Please note the shares and memberships fee account are found at the back of the member's passbook.

SHARES ACCOUNT

Date	Amount	No. Of Shares	Dividend
01/11/12	D100.00	2	

ENTRANCE FEE

Date	Amount Paid
01/11/12	D100.00

The transaction which is posted into various accounts above form part of updating the passbook of the member and cannot be done without raising a receipt.

BACKGORUND INFORMATION TO THE FACILITATOR

Inevitably either a workplace or community based credit union cash transaction must occur between the member and the credit union. Hence Credit Union is a financial co-operative and thus cash is its life blood and as part of the external governance in the Credit Union transparency, compliance and accountability is prominent.

All members must acquire a Passbook to enable the Credit Union enter all financial transactions of the member for the transmission of financial information from the Credit Union to the member.

Accounting for cash consists of two stages:

The first stage is the raising of a receipt or an out voucher for the member.

The second stage is to enter the same information in the members' file and Passbook.

MODULE 5: INCOME AND EXPENDITURE

INTRODUCTION

In this module, participants will learn about income and expenditure. This module is divided into two sessions as indicated below:

- Session 1: Definition and sources of income
- Session 3: Type of expenses
-

Sessions 1: **Definition and sources of income**

Overall Objective (S): By the end of the session participants will be able to define an income and describe the sources of income for a credit union

Presentation Time:

MATERIALS: Flip charts and stand, Markers & writing materials, accounting, passbook

Methods: (Focus group discussion, brainstorming, question and answer and Lecture)

STEP 1: Brainstorm and discuss the definition of an income and expenditure

STEP 2: To discuss on the sources of an income for a credit union

STEP 3: Explain the expenditure of credit union

SUMMARY

The income and expenditure statement looks at both the revenue and expenses incurred at the end of the accounting period. The income of a credit union from the Trial balance includes Entrance Fees, Interest on Loans, Interest on savings Account, Interest on investment, Dividend Received etc.

Tips for the trainer:

- Trial balance is a work sheet not a formal financial statement
- All the balances from the general ledger are transferred to the trial balance
- Trial balance helps in the preparation of the income and expenditure statement and balance sheet
- Out-of-date information on the above can be misleading for both decision makers and membership
- Some ideas on what is required to enable savings mobilization: increase income, reduce unnecessary expenditure and planning ones income

ASSESSMENT

Ask the following questions

1. What is an income and its sources in the credit union
2. What are some of the expenses of a credit union
3. Why should the credit union know its income before its expenses
4. How can the credit union raise its income and which are the most productive areas of investment for a credit union

BACKGROUND INFORMATION

Income and expenditure

A credit union for it to be safe and sound in its operation, it should ensure that, among other things, its various financial position remains health, that for example its expenses are not more that it's income. The health of a credit union in these respects can be evaluated by making reference to its balance sheet figures, which would help in the analysis of its performance analysis.

The income and expenditure statement of a credit union looks at both the revenue and expenses incurred at the end of the accounting period or on monthly bases. The expenses of a credit union may take the following form: (Salaries/wages, Payment of Rent, purchase of stationeries, payment of Dividend, payment of water and electricity bills, and telephone expenses etc.

Income is any monies earned by the credit union due to its investments in loans, Banks and other investments which would be productive for the credit union. In a non profit making organisation like the credit unions, the surplus or deficit of income over expenditure is calculated in the account which is referred to as an income and expenditure account.

The income of a credit union is normally generated from:

- Entrance Fees,
- Interest on Loans
- Interest bank Account
- Interest on investment
- Dividend Received and other income

Session 2: Types of expenditures in Credit Union

Overall Objective (S): By the end of the session participants will be able to describe the different types of expenditure of a credit union

Presentation Time:

MATERIALS: Flip charts and stand, Markers & writing materials, accounting books

Methods: (Focus group discussion, brainstorming, question and answer and Lecture)

STEP 1: Revise the previous session on income for the Credit Union.

STEP 2: Brainstorm and discuss the different forms of expenditure of a credit union

STEP 2: Discuss the importance of the expenditures of a credit union

STEP 3: Explain the expenditure of credit union

Tips:

- This is periodic statement that measures the profitability or otherwise of the Credit Union.
- At the end of the financial year, the Credit Union income and expenditure statement is extracted
- The expenditure should not be more than the income and if that happens there is a deficit.
- Break-even is when the income is equal to the expenditure
- If the income is more than the expenditure there is surplus

ASSESSMENT

Ask the following questions

1. What is expenditure of a credit union?
2. Why are expenses of a credit union important?
3. Why should the credit union know its expenses

SUMMARY

STATEMENT OF EXPENDITURE OF CREDIT UNION:

This is periodic statement that measures the profitability or otherwise of the Credit Union. The income and expenditure statement is extracted at the end of the Credit Union financial year to establish the surplus or deficit of the Credit Union operations. The expenditure should not be more than the income and if that happens, then we say the Credit Union is in deficit. But if the income is equal to the expenditure, that is called break-even. If the income is more than the expenditure it is a surplus and all Credit Unions should aim at getting a surplus.

BACKGROUND INFORMATION FOR THE FACILITATOR

The Credit Union spends money towards implementing its Income activities as well as its day to day operations. Monies going out of the Organisation in the form of payments for goods and services including s fees and charges are collectively called **Expenditure.**

Expenses differ in quantity, type and purpose.

a) Monies are spent to acquire Assets
b) Operational expenses like, Salaries, Stationery, Utilities, Allowances.
c) Monies paid out as interest on members Savings.

MODULE 6: USE OF CALCULATOR AND MOBILE PHONES

INTRODUCTION

In this Module, participants will learn how to the use basic arithmetic signs (+, -, x and :-) using the Calculator and Mobile Phones. This is important as both the calculator and Mobile phones (which also have a calculator functions) can enhance understanding the basic principles in numeracy, thus enhancing members' confidence in the operations undertaken by the Credit Union Officials. There are 2 Sessions in the Module

- Session 1: Mobile Phones
- Session 2: Calculators

Overall Objective: By the end of the module, participants will be able to use the four arithmetic signs of the calculator and other functions of the mobile phone

Session 1: Mobile Phones and Calculators

Specific Objective: By the end of the session, participants will be able to use sms and other calculation using the mobile phones
Time:

Materials: Mobile Phone (real and pictorial), Calculator, cards, pictures, pass books and sample of money or real money

Methods: Demonstration, discussions, brainstorm,

STEP 1: Brainstorm on the importance of calculations as it relates to savings and loans, list all that is being said by the participants on veep card and use the four arithmetic signs of the calculator and other functions of the mobile phone.

STEP 2: Demonstrate to participants how to use a cell phone using the alphabet and numeral on the screen and as they learn the alphabet and numbers they also learn where numbers and letters can be found on the mobile phone handset.

STEP 3: Divide them in groups and provide cell phones or pictures so that they can practice their skills using the letters and numerals.

STEP 4: Introduce Short Message Service (SMS) about getting information on saving and loan balances,

STEP 5: in pairs they role play credit union officer and member and send messages to each other.

STEP 6: Use the calculator to calculate money –using the four basic arithmetic signs

Tips for the trainer:

- Discuss the many functions mobile phones have
- Ask participants to describe any experience they have in using the mobile phones
- It is cheaper to send text messages than making calls.

ASSESSMENT

Ask the following questions

1. What is a mobile phone?
2. How can we use the mobile phone in our credit union transactions?
3. How can the credit union members know their balances by using SMS?

Summary

A **mobile phone** (also known as a **cellular phone**, **cell phone** and a **hand phone**) is a device that can make and receive telephone calls around a wide geographic area. It does so by connecting to a cellular network provided by a mobile phone operator, allowing access to the public telephone network.

In addition to telephony, modern mobile phones also support a wide variety of other services such as text messaging, MMS, email, Internet access, short-range wireless communications (Infrared, Bluetooth), business applications, gaming and photography. Use two-way messaging and short codes to maintain a direct line of communication with your customers in an effective and economical way CU. In addition, mobile phones also have calculation functions that can be used to calculate your income, interest and other numerical needs.

Back ground information

A **mobile phone** (also known as a **cell phone**) is a device that can make and receive calls around a wide geographic area. It does so by connecting to a cellular network provided by a mobile phone operator, allowing access to the public telephone network.

In addition modern mobile phones also support a wide variety of other services such as text messaging, Multimedia Message Service (MMS), email, Internet access, short-range wireless communications (infrared, Bluetooth), business applications, gaming and photography. One can use a two-way messaging and short codes to maintain a direct line of communication with your customers in an effective and economical way. In addition, mobile phones also have calculation functions that can be used to calculate your income, interest and other numerical needs.

The most commonly used data application on mobile phones is SMS text messaging. In many countries, mobile phones are used to provide mobile banking services, which may include the ability to transfer cash payments by secure SMS text message. Kenya's M-PESA mobile banking service, for example, allows customers of the mobile phone operator SAFARICOM to hold cash balances which are recorded on their SIM cards. Cash may be deposited or withdrawn from M-PESA accounts at SAFARICOM retail outlets located throughout the country, and may be transferred electronically from person to person as well as used to pay bills to companies. Another application of mobile banking technology is ZIDISHA, a US-based non-profit micro lending platform that allows residents of developing countries to raise small business loans from web users worldwide. ZIDISHA uses mobile banking for loan disbursements and repayments, transferring funds from lenders in the United States to the borrowers in rural Africa using the internet and mobile phones.

You can send messages to your credit union officials to enquire about your savings, loans and other balances.

Session 2: Calculators

Specific Objective: By the end of the session, participants will be able to use the calculator in their everyday Credit Union operations.

Time:

Methods: Demonstration, discussions, brainstorming, counters,

Materials: Calculator, cards, pictures, mobile phones, pass books and sample of money

STEP 1: Each person in the group should have a calculator. One person reads out the numbers. The others enter them into their calculator, pressing the key after each one. This is a game for two players with one calculator between them. You may use only these keys.

1 2 3 4 5 6 7 8 9 0 + =

STEP 2: Get participants to take turns to add a single-digit number to what is already in the calculator.

STEP 3: Make the target 10- 99 and add, subtract, multiply and divide two-digit numbers using the calculator

STEP 4: Make the target 100-1000 and add, subtract, multiply and divide three-digit numbers using the calculator

STEP 5: Assist participants to add, subtract, multiply and divide using the calculator on the cell phone and calculator in groups.

STEP 6: Get participants to calculate interests on loans and savings using the calculator.

Tips for the trainer:

- Calculators can enhance quick and easy arithmetic operations and comes handy in our Credit Unions

- Use the calculator to check the accuracy of the entries in the passbook and trail balance sheet.

ASSESSMENT

Give participants tasks to use the calculator – addition, subtraction, division and multiplication. Go around to see what they did.

Summary

A **calculator** is a small, portable, often inexpensive electronic device used to perform both basic and complex operations of arithmetic. Modern calculators are more portable than most computers. Mobile phones are comparable in size to handheld calculators and in n addition to general purpose calculators, there are those designed for specific markets; for example, there are scientific calculators which include trigonometric and statistical calculations. Some calculators even have the ability to do computer algebra.

Background information

A **calculator** is a small, portable, often inexpensive electronic device used to perform both basic and complex operations of arithmetic. In most countries, students use calculators for schoolwork.