

MONEY MANAGEMENT AND BUDGETING

Learning Objective:

Students will learn about the concepts of budgeting and money management, connecting these concepts with their future passion fruit growing ventures.

Materials: Blackboard, flipchart. Markers or chalk, Printouts of passion fruit farm budget

Methodology: Brainstorming and discussions

Step 1

Have a recap of the previous lesson.

Warm up: Pictionary. Ask for a volunteer to come to the front of the class, and give her a word that she must draw on the board. The students must guess what she is trying to draw before the time runs out.

Step 2

Brainstorm different things in life for which money is needed, and write them on the board. What are some things you didn't think of? What about planning for a disaster? What about trying to save up for a big purchase like a boda boda?

Step 3

Read out different money management scenarios, and ask the girls what they would do. Ask what are some of the different consequences of the choices that they could make? After getting responses from the girls, share your own perspective on the situation.

Scenario 1:

You have budgeted your expenses for this month, and you are completely at your limit for your personal expenses, but you have a little bit of extra in your business account. You are planning to use this money to buy a sprayer pump and fertilizer. Your sister comes to ask you to give her money to pay the school fees for her son, because she cannot afford them. She says that she knows you have money from your business. What do you do? What are the possible consequences of your decisions?

Scenario 2:

Last month, you had exactly enough money to pay for all of your expenses, both business and personal. However, this month, the price of posho has gone up, and you don't have enough. What do you do?

Scenario 3:

You have a little bit of extra money left over from this month. There is a pair of shoes that you really want to buy. What do you do? How else could you use this money?

Step 4

Independent Practice: Passion Fruit Farming Budget

Now, have the girls brainstorm the expenses that are involved in sustaining a passion fruit farm. Write responses on the board. The facilitator should have pre-printed the budget for passion fruit farming that is included in the Appendix. Hand this out to each girl, and give her some time to study it. Explain to the girls that KadAfrica will provide all of these inputs to them for one year. However, after that time, they will begin to make their own money by selling passion fruit, and they will need to buy their own inputs with their own money. Stress that they must remember to budget for the items that they will need to buy ahead of time, and should also budget for risk and disasters.

Personal Budgets

After discussing the expenses involved in passion fruit growing, give the girls some time to create their own personal monthly budgets, or a budget for their family, working independently. If they like, girls can work on this activity with their buddies. First, ask them to determine their monthly income. Then determine how much is needed for various items such as food and school fees. Make sure that they are setting aside a small amount for savings. If there is a gap between what they have, and what is needed, how can they address this issue? Walk around the class, offering help when needed.

Step 5

Quiz the girls as a class on some key questions. Girls who answer correctly will get small candies as prizes.

- What is budgeting? Why is it important?
- Why is it important to keep your business expenses separate from your personal expenses?
- What are some resources that you can access when you find yourself short on cash?
- Why is it important to have savings, even if it is just a small amount?

Facilitator Notes

Explain the following concepts of budgeting and investing to the class.

Budgeting

Every person has expenses in their lives that they must have a way to pay for. Some of these expenses, such as food and water, are essential for life. Keeping track of what you spend can help you to identify areas where you may be able to cut down if it is necessary.

Each month, you should determine what expenses you will have, and how much money you will have as well. If you have greater expenses than you have money, you need to try to think of ways that you can cut down your expenses, or seek out resources. Planning ahead for your expenses will help you to not get caught without enough to survive. Alternatively, if you have more money than expenses, you can plan ahead for good investments for your money.

Investing and Saving for the Future

Not all of your money will always be spent at once, but that does not mean that it is not needed, or is extra. Some expenses are investments. You may pay more money in the present to have a benefit over time. A good example of an investment is education. You pay for education now, hoping that this education will help you make more money later. You can also have business investments, such as a sewing machine. Investments, not just immediate expenses, should be a part of your budget every month.

Your budget should also include money that you set aside for emergencies, or money that you are saving up for bigger expenses, such as a cement floor. Even if you have very little, it is important to put something into savings each month, even if it is just 100 shillings. Your savings also should not be something that you think of last, but should always be included in your monthly budget.

Personal vs. Business

Every businesswoman will have expenses in her life that are related to her business and expenses related to her personal life. Personal money relates to your family and yourself, and includes things like food, shelter, school fees, medicine, or recreation.

Business expenses include things like money needed to buy supplies and materials, money for transportation to and from the market, and money for the tools that you need to run your business, like a sprayer pump. Business expenses should be completely separate from your personal expenses.

Seeking Out Resources

Sometimes, you may find yourself in a situation where you do not have enough money to pay for what you need. In these cases, you must find a way to seek out resources. Some sources of extra income can include extra jobs you may take on, informal loans from family and friends, or formal loans. Ideally, you will already have savings that you can access. It is important to weigh the benefits and risks of taking out a loan, and make sure that you will be able to pay it back on time, with interest.

Explanation for Scenario 1: After discussing the scenario with the students, explain the following:

This scenario is relevant to investing, as well as separation between business and personal expenses. Extra money in your business account should be considered completely separate from the money that you use personally. If you are not strict about this separation, it will be very difficult to sustain your business without getting drained by many personal demands. Additionally, the “extra” money in your business account is not really extra. The money is being set aside for tools, which are a crucial part of keeping your business going and planning for the future.

Explanation for Scenario 2: After discussing the scenario with the students, explain the following:

This scenario is relevant to saving for the future, as well as seeking out resources. In an ideal situation, you would have some money saved to help cover your expenses. Now, knowing that the price of posho is higher, you can budget appropriately for it next month. If you have no extra money, you will need to seek out some means to obtain more, or you can consume less, if possible. This could include seeking out a loan, asking friends or family for help, or taking on some extra work, like digging.

Explanation for Scenario 3: After discussing the scenario with the students, explain the following:

This scenario is relevant to saving and investing. At times, it is ok to indulge in something extra if you can afford it, but think carefully about the things that you are giving up in the future when you spend your money on short-term luxuries now. If you have not already contributed to savings before you buy the shoes, you should definitely do this instead of buying the shoes.

Key takeaways

- Managing finances requires keeping track of where money is spent.
- Some expenses are more important than others. Budgeting can help you decide which expenses are the most important in the short term, and others that are important investments for the long term.
- It is important to keep your personal money separate from money that is designated for your business. Failing to make that distinction can mean that too much money is pulled from your business account, and you are no longer able to sustain the business. In business CASH FLOW IS KING.
- Managing money well involves planning ahead of time for expenses. This also means setting aside money in case of a disaster, or unforeseen circumstances.