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SUSTAINABLE FISHERIES MANAGEMENT PROJECT (SFMP) VSLA Financial Literacy Training Report



FEBRUARY, 2018

THE
UNIVERSITY
OF RHODE ISLAND
GRADUATE SCHOOL
OF OCEANOGRAPHY



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Cover photo: Group picture of participants after a crown exercise (Credit: Hen Mpoano)

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ACRONYMS

HM	Hen Mpoano
SFMP	Sustainable Fisheries Management Project
USAID	United States Agency for International Development
VSLA	Village Savings and Loan Association

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SECTION 1: BACKGROUND

Coastal communities in the Western region of Ghana have few livelihood diversification opportunities. This problem is magnified by the inability of majority of coastal dwellers at the bottom of the financial pyramid to access conventional sources of loans to start or expand small-scale enterprises. This has reinforced a perpetual cycle of over-dependence on natural resources for survival.

The Village Savings and Loans Associations (VSLA) is one of the vehicles under the broad system of financial intermediation in many rural communities in Ghana and other developing countries. The VSLA concept has been adopted by Hen Mpoano (HM) under the USAID Sustainable Fisheries Management Project (SFMP) to empower vulnerable community members to build cohesion for managing their natural resources and also generate financial resources for livelihood initiatives to reduce their over-dependence on natural resources. Four VSLA's have been established, one each in the four communities Hen Mpoano is working on the Ankobra river, namely, Adelekazo, Ajomoro Eshiem, Kukuavile and Eziom.

As part of the capacity building and sustainability strategies for the 4 VSLA groups, a three-day financial literacy training workshop was organized for 20 selected members at the Werba House, Agona Junction in the Ahanta West District of the Western Region from 12th to 14th of February, 2018. The training was aimed at building capacity of the VSLA groups on financial management to improve their savings and business activities.

1.1 Workshop Objectives

The objectives of this training workshop were as follows;

- To build the skills of selected participants in basic record keeping
- To improve upon participants' knowledge, skills and awareness on financial numeracy and literacy (financial management skills)

SECTION 2: TRAINING CONTENT

The three-day training brought together 20 participants (9- males, 11- females) from the four SFMP VSLA groups on the Ankobra Estuary (See Appendix 1 for detailed list of participants). The training workshop targeted members of the association who were into various business and trading activities to build their capacity in the area of basic record keeping and also to improve their knowledge, skills and awareness on financial numeracy and literacy.

The training covered the following topics;

- Financial Literacy

Financial literacy in this training context comprised the following:

a) Basic Record (book) Keeping

- Credit sales book
- Credit Purchase Book
- Wages Book
- Production Book
- Inventory Book

- Sales Book
- Cash Book

b) Financial management made of:

- Break Even Story
- Total Project Cost
- Cost Categories
- Cash Flow statement
- Profit & Loss Statement
- Depreciation
- Amortization
- Balance sheet

SECTION 3: TRAINING METHODOLOGY

Given the diversity in operational and business activities, culture and educational backgrounds of the participants, they were introduced to a comprehensive set of training instruments using an action-oriented approach and experiential learning methods to develop, motivate and enhance high level of participation (Detailed agenda attached as an appendix).

Table 1: Training Outline

Day 1 Outline	<ul style="list-style-type: none"> • Records Keeping • Exercise (Group work and presentation)
Day 2 outline	<ul style="list-style-type: none"> • - Recap of day 1 activities • - Cost Categories • Break Even • - Total Project Cost
Day 3 outline	<ul style="list-style-type: none"> • - Recap of day 2 activities • - Cash flow statement • - Profit Loss Statement • -Amortization and Depreciation • - Group work • - Group Presentation

SECTION 4: TRAINING DELIVERY

4.1 DAY 1

The workshop was facilitated by Ms. Adiza Ama Owusu (HM project officer) and Mr. Cadmond Dadzie (Consultant). Ms. Adiza took participants through the Sustainable Fisheries Management Project goal and objectives. She also introduced participants to the purpose and objectives of the training workshop and took them through the course content.

4.1.1 Session1: Record Keeping

Mr Dadzie began the training by taking the participants through basic record keeping, where they were introduced to the different types of record keeping and the importance of record keeping.

Learning objectives

- Help participants to familiarize with the various record keeping books and their importance in a business

Key learning outcomes/points

- Through a brainstorming session, the following books were also mentioned and discussed:
 - Credit Purchase book
 - Receipts
 - Credit Sales book
 - Wages Book
 - Sales Book
 - Inventory Book
 - Stock book
 - Cash Book

Group work and presentation

To help deepen the understanding of participants, an exercise was done with case study on Cash book. Participants were clear on the need to keep books of each activity they undertake, to keep track of progress of their operations and activities. Each group presented its work for peer reviewing.

	CASH		BANK	
	DATE	AMOUNT	DATE	AMOUNT
Opening Balance		1000		
Sales Fish 4000		4000		
Bank Interest		100		
Bank Charge		50		
Bank Deposit			2000	2000
Bank Withdrawal			1000	1000
Bank Balance				2000
Closing Balance		4650		2000

Figure 1: Cash book entries of a case study by participants

4.1.2 Session 2: The Crown Exercise

In order for participants to experience how entrepreneurs faced tough competition and still make reasonable profits, they were engaged in a group exercise called the “Crown Exercise”.

Participants were asked to make crowns to sell to a foreign buyer who has limited funds to make purchases and will only buy the cheapest crowns which meet basic requirements. The participants worked in groups and compete to earn the most money. Crown exercise can be used to train special aspects like profit and loss, break even, organization, management, financial planning, and entrepreneurial skills.

Key learning outcome/points

From the above exercise, participants learnt the following:

- understand the effects of a limited market on their production plan;
- calculate a competitive selling price that covers their fixed and variable costs and results in profit;
- aware of Break-Even point;
- develop creativity to reduce costs;
- strengthen their organization to increase productivity.

	NUBASE		GOB & KING		OPTAMA SWEET	
	FORECAST	REAL	FORECAST	REAL	FORECAST	REAL
QUANTITY	12	67	15	2	5	5
INCOME	24	13	375	10	15	7.50
COST OF GOODS SOLD	2.30	2.30	2.20	2.20	2.00	2.00
GROSS PROFIT	21.70	11.70	372.50	7.50	13.00	7.50
OTHER COSTS	7.40	7.40	6.70	6.70	6.50	6.50
NET PROFIT	14.30	4.30	366.10	1.10	6.50	1.00

Figure 2: Result of participants' crown exercise

4.2 Day 2

Recap of day 1

Day 2 began with a recap of day 1 activities. Participants were asked to share with the rest of the group their highest learning moment. Some shared learning areas were:

- If you want to manage any business and track progress, you need to keep proper records
- Within a business venture you need to sit down and plan before acting
- If you don't keep records of your business, it becomes difficult to manage.

4.2.1 Session 3: Cost Categories

This exercise guided participants through the jungle of different cost categories. Notably, direct cost, indirect cost, fixed and variable cost

Key learning outcome/points

After the topic was treated,

- participants understood the differences in the various cost categories and their importance
- helped participants to know how to reduce cost and which is the most important to keep
- the need for business owners to pay themselves



Figure 3: Participants' exercises on cost categories

4.2.2 Session 4: The Break-Even Story

Participants were introduced to the break-even story to gain understanding of the following;

- Understanding of income, costs, profit and the differences between them,
- Understanding of the difference between fixed and variable costs,
- Understanding of the idea (not the formulas) of Break Even,
- Awareness that incoming money cannot be spent for private purposes, as it is not profit

Participants learned about:

- concept of the Break-even price, units
- when profit is expected in a business
- deepen understanding of cost categories



Figure 4: Participants' exercises on break-even point

4.2.3 Session 5: Depreciation and Amortization

Depreciation

The objective of this module was to get participants to appreciate the importance of depreciation and how to determine it

- Participants were able to calculate the depreciation of their assets
- Became aware of which aspect of their businesses need to be depreciated
- Became aware of depreciation as a cost to the business

Amortization

For participants to further understand how interest rate on loans are calculated and the need for a schedule of payment

- Participants were fully aware of the difference between principal payment and interest rate payment
- Difference between straight line and reducing balance methods for calculating interest rates
- The need to demand an amortization schedule from banks at a time of taking a loan.

STRAIGHT LINE

PERIOD	BALANCE	PRINCIPAL	INTEREST	AMORTIZATION
0	-	6,550	-	-
1	4,366.67	2,183.33	196.50	2,379.83
2	2,183.33	2,183.33	196.50	2,379.83
3	-	2,183.33	196.50	2,379.83
Total		6,550	589.50	7,139.50

PERIOD	BALANCE	PRINCIPAL	INTEREST	AMORTIZATION
0		6,550	-	-
1	4,366.67	2,183.33	196.50	2,379.83
2	2,183.33	2,183.33	131.	2,314.33
3	-	2,183.33	65.50	2,248.83
Total		6,550	393	6,942.99

Figure 5: Work sheet amortization schedule developed by participants

4.2.4 Session 6: Total Project Cost

This session was to enhance participants' ability to estimate total amount of money needed (starting capital) in the business before they commence operations. These included money for; Fixed Assets, Working Capital and Pre-Operating Expenses.

Participants agreed that entrepreneurs must estimate properly how much is needed to start the business

- Failure leads to premature fold up of enterprises
- Working capital must have projected and calculated for at least three months to avoid premature folding up of enterprises.

The participants worked together in groups solving each of these statements



Figure 6: Participants' work sheet on total project cost

4.3 Day 3

There was a recap of day two's activities to consolidate understanding of the previous day exercises before starting new ones.

Participants were asked to explain topics treated the previous day. It was realized that not everyone learns as fast and might need more time to understand the calculations.

4.3.1 Session 7: Profit and loss statement

The third day activities began with participant's introduction to profit and loss statements. This included

- How to increase your profits?
 - Increase production
 - Reduce costs
 - Increase sales
- Loan repayment on time to avoid loan interests compounding

Income statement

- understand the difference between profit and loss on one side and cash flow on the other side
- Participants learn how to determine if their business will be profitable
- Participants fully aware of the difference between sales and profit
- Participants understand how to increase profit
- Participants appreciate why it is important to always reduce cost of production
- Why it is important to repay your loans since failure to do that affects your profit
- Participants worked together in groups solving each of these statements. Groups took turns in presenting their findings and the whole class observed corrections.

INCOME STATEMENT	PRE-OPERATION MONTH	MONTH 1	MONTH 2
SALES	14,000	14,000	14,000
MATERIALS	4,000	3,600	3,600
LABOUR	2,000	2,000	2,000
OVERHEAD	4,500	4,500	4,500
DEPRECIATION	41,700	41,700	41,700
COST OF GOODS	50,200	50,700	50,700
GROSS PROFIT	1,800	3,400	3,300
SELLING COST	6,800	8,400	8,400
MARKETING COST	2,500	2,000	2,500
FINANCIAL STATE	250	2,500	2,500
TOTAL OPERATING COST	5,000	2,500	2,500
OPERATING PROFIT	3,400	5,500	5,500
LESS INTEREST	546.8	552.3	552.8
LESS BEFORE TAX	546.8	552.3	552.8
LESS 10% TAX	54.68	55.23	55.28
NET PROFIT	491.12	497.07	497.52

Figure 7: A participant reporting out the result of the group profit & loss statement

Cash flow statement

Participants were engaged in a group exercise and presented in the plenary

Participants aware that:

- Cash flow statement gives a snapshot of the business
- Indicates the movement of cash in the business
- Helps owners and outside investors to continue to invest or otherwise in the business
- A positive net cash flow is an indication of a healthy enterprise and negative net cash flow means the business is not liquid

Cash Flow	PRE OPERATION	MONTH 1	MONTH 2	MONTH 3
CASH IN				
OWNERS MONEY	2,000	-	-	
LOAN	-	6,550	-	
SALES	-	4,000	14,000	
OTHERS	-	-	-	
TOTAL CASH IN	2,000	20,550	14,000	
CASH OUT				
FIXED ASSETS	250	5000	-	
EXPENSES BEFORE BUSINESS STARTS	250	-	-	
COST OF MATERIALS		5600	5600	
WORKERS PAY		2,000	2000	
PAY INTEREST		11600	11650	
LOAN PAY		2,1533	2,1533	
TAX		62170	62120	
OTHERS		-	-	
TOTAL CASH OUT		15,6015	10,6103	
NET CASH FLOW	250	4,94847	3,3897	
CASH AT START	1750	1750	6,0397	
CASH AT END	1750	6,69823	10,0294	

Figure 8: A cash flow chart prepared by participants

SECTION 5: EVALUATION OF TRAINING

The evaluation of the workshop was done in plenary with the following comments from participants:

- Through this training I've learnt bank loan interest calculations and I'm very thankful to SFMP for such an eye-opening training
- Learnt how to keep record to improve upon my business
- How to make interest and save on the interest generated?
- Before you sell any product, you need to assess the cost involved to be able to know whether you're making profit or loss
- When you want to venture into any business you need to plan well to know the cost and where to get the money from.

- Before I venture into any business I need to plan and analyze the things that will go into the business project, the total money that will be needed, how much I can contribute and where I can get the rest.
- I need to keep records of every money transaction I engage in to keep track of money going out and coming into the business
- We need to plan well in all aspect of our lives
- Need to save on all depreciation on assets so as to have money to purchase new one when it breaks down
- Depreciation must be treated as cost is very necessary
- This training will be very helpful for the other members of the group, I will urge the project to replicate a similar training at the community level

SECTION 6: CONCLUSIONS

Participants were very much pleased for such training and urged the team to come to the community level to train other members of the groups.

Asemkye Amerema Kukuavile “I’m a farmer and I’ve been farming for years now, but I never paid attention to record keeping on how much money I’m investing and how much I make from my produce, I thank the SFMP team for such training. Going forward I will do well to keep record on all my farming activities”

APPENDIX 2: AGENDA

Sustainable Fisheries Management Project (SFMP)

VSLA FINANCIAL LITERACY TRAINING

FOR THE 4 SFMP VSLA GROUPS

WANTAPA HOTEL

FEBRUARY 12th - 14th, 2018

WORKSHOP AGENDA

<u>Start</u>	<u>Finish</u>	<u>Duration</u>	<u>Activity</u>
Day 1			
8:00	8:30	0:30	Arrival of participants
8:30	9:00	0:30	Introduction of Participants
9:00	10:30	1:30	Record Keeping
10:30	10:50	0:20	Coffee break
10:50	11:00	0:10	Energiser -
11:00	13:00	2:00	Crown Exercise
13:00	14:00	1:00	Lunch
14:00	14:10	0:10	Energiser -
14:10	16:10	2:00	Cost Categories
Day 2			
8:00	8:30	0:30	Arrival of participants
8:30	9:00	0:30	Recap by Spokespersons
9:00	11:00	2:00	Break Even Analysis
11:00	11:20	0:20	Coffee break
11:20	11:30	0:10	Energiser -
11:30	13:05	1:35	Balance Sheet
13:05	14:05	1:00	Lunch
14:05	14:15	0:10	Energiser -
14:15	16:45	2:30	Basket Market
Day 3			
7:30	8:00	0:30	Arrival of participants
8:00	8:30	0:30	Recap by Spokespersons

<u>Start</u>	<u>Finish</u>	<u>Duration</u>	<u>Activity</u>
8:30	10:10	1:40	Total Project Cost
10:10	10:30	0:20	coffee break
10:30	13:30	3:00	Finance game (P & L, Cash Flow, Total Project Cost, Amortization etc)
13:30	14:30	1:00	Lunch
14:30	15:30	1:00	Finance game (P & L, Cash Flow, Total Project Cost, Amortization etc)
15:30	16:00	0:30	Evaluation and Closing Ceremony