



# Financial Literacy for Smallholder Sheep Fattening Farmers: Training Manual

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MANUAL





## Manuals & Guidelines

ICARDA's Manuals & Guidelines series taps the Center's expertise to provide comprehensive advice and strategies that researchers can adopt to enhance agricultural productivity and overcome critical challenges affecting rural communities in the non-tropical dry areas.

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We provide innovative, science-based solutions to improve the livelihoods and resilience of resource-poor smallholder farmers. We do this through strategic partnerships, linking research to development, and capacity development, and by taking into account gender equality and the role of youth in transforming the non-tropical dry areas.

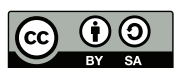
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## What is financial literacy?

Financial literacy refers to a set of skills and knowledge that enable individuals to make informed and effective decisions regarding money matters. It is a combination of financial responsiveness, knowledge, skills, attitude, and behavior that are necessary to make informed financial decisions and ultimately achieve individual financial well-being.

### Overall Session Learning Outcomes

- Planning, prioritization and budgeting form the core of financial discipline.
- Ability to evaluate and select the financial services available.
- Save and invest for future growth.
- Prepare for unexpected risks.
- Strong financial management and controls in farmer cooperatives.





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# 1. Introduction

The International Center for Agricultural Research in Dry Areas, in close cooperation with regional agricultural research institutes and partners, implements improved sheep fattening methods and technologies in Ethiopia. The project aims to improve the income of rural farmers from sheep fattening. Sheep farming is a potentially lucrative business in Ethiopia. With basic knowledge of sheep husbandry and management, farmers and young people in Ethiopia can be successful in sheep fattening and generate good income from the sector. Young people from rural areas who are unemployed or have little land ownership are increasingly getting involved in sheep farming. From an economic point of view, farmers seek a balance between production levels and economic outcomes of their livestock systems. However, farmers have made minimal progress towards commercial fattening with clear production goals and

financial means. The factors necessary for development of entrepreneurship, such as risk-taking, access to easy finance and coordination between factors of production, are limited. Financial literacy can provide farmers with the knowledge and skills they need to successfully set financial goals, plan and manage their money, as well as build their wealth. These skills will help them manage their daily expenses, expand their entrepreneurial opportunities, and reduce their overall vulnerability.

This financial literacy manual has been adapted as a guide for community and development trainers for members of farmer groups and cooperatives involved in sheep production. It is designed to impart basic knowledge, skills, attitudes, and practices for personal and cooperative money management.





# Session 1. Introduction to Financial Literacy

Economic processes in today's world are becoming increasingly complex and involve investments, a wide range of banking products and insurance systems and consequently require an understanding of financial literacy. Even if these new financial services improve the quality of life and business success, rural populations often remain unprepared to use them owing to a lack of knowledge and skills. This particularly affects risk groups such as farmers, women and the youth. These groups are notoriously prone to general local psychology and public hysteria that leads them to bypass economic affairs or to expand their knowledge of financial services. In addition, illiteracy in the financial sector tends to have a negative impact on the personal well-being of people and the financial sector.

## Session Objective

The purpose of this session is to help sheep fatteners understand basic financial concepts so that they can better manage their money. It will help sheep fatteners better understand their financial situation, by covering areas such as the concept of financial literacy, its benefits and the need to gain financial literacy.

*After this learning session, trainees will be able to:*

- Define financial literacy.
- Describe the relevance and importance of financial literacy.

*Pre and post evaluation questions:*

1. What is financial literacy?
2. What is the importance of financial literacy?
3. What are the characters/behaviors of a financially literate person?

## What is Financial Literacy?

Financial literacy refers to a set of skills and understanding that enables individuals to make informed and effective decisions about money matters. It is a combination of financial responsiveness, knowledge, skills, attitude, and behavior that are necessary to make sound financial decisions and eventually achieve individual economic well-being. In general, the cognitive insight into financial modules and skills such as budgeting, saving, investing, borrowing, taxation, and personal finance management is referred to as financial literacy. Hence, lack of these skills is known as being financially illiterate.

## Why is it important to be financially literate?

Sheep fattening farmers, both individual and cooperatives, need financial literacy because, it enables them to:

- Understand key financial services and products such as personal or enterprise financial management, budgeting, saving, investing and lending.



- Change the way they think about financial services.
- Access and benefit from financial services.
- Have knowledge and skills that enhances understanding of personal finance issues and the ability to apply financial literacy knowledge to manage personal finances.
- Predict future spending and investments by setting financial goals.
- Make good financial decisions about spending and saving and investing throughout their life or to keep their business running and optimize its performance.
- Keep proper records of financial transactions to manage their income and expenses.

- Respond competently to changes and risks that could affect the daily financial well-being of their households and businesses.

### What are the behaviors or characters of a financially literate individual?

Financially illiterate people exhibit the following behaviors after becoming financially literate:

#### Financially illiterate

- Refuse to look into financial affairs and access financial services.
- Mistrust for financial services and experts.
- Live on a day-to-day basis.
- Saving is not related to financial goals and generally borrows for emergencies.
- Cannot choose the right investment.
- Unable to track processes, income and expenses and do not forecast the future.

#### Financially literate

- Access financial services confidently.
- Ask for advice and counseling from experts when it comes to financial services.
- Make a spending and budget plan and adopt it to manage his/her business.
- Have a savings plan with clear objectives and maintains an emergency savings fund.
- Choose the right investment.
- Keep records to track progress, income and expenses and capable to forecast the future.





## Session 2. Personal/Household Budgeting and Planning

Making financial decisions is difficult. Individuals and families must make appropriate decisions based on their circumstances. The important thing is that you carefully analyze your options before making a decision, and that you have a strategy in place to deal with the implications. Every household must strike a compromise between basic needs, debt settlement and savings. You need to set economic goals in order to manage your money efficiently. Think about what you want to achieve in life and set goals for yourself that will help you achieve them. If you are working towards something that matters to you and have a plan of action, you are likely to be more successful.

### Session Objective

The aim of this session is to provide sheep fatteners with an understanding of how they and their families should manage their money especially their income and expenses, by understanding the concept of financial planning, budgeting and the importance of these two in their daily lives and business practices.

*After this session, the trainees will be able to:*

- Determine how and when to spend money.
- Familiarize themselves with a functional plan and what it means.
- Understand what budget/budgeting is and what it entails.

*Pre and post evaluation questions:*

1. What do we mean by a financial plan/goal?
2. What is the importance of setting a financial plan?
3. What is budgeting and what does it entail.

### Part 1: Choices about spending

*By the end of this section, the trainees will be able to:*

- Familiarize themselves with wanting and needing something.
- Identify and prioritize spending.
- Understand how to prioritize when spending money.

### What can you do with your money?

People need money for many reasons. People all over the world, including the trainees, are striving to ensure that they have enough money to cover their daily expenses such as groceries, clothing, pay off debts, pay for school and marriage for themselves or their children, meet future needs for the purchase of a property or a house, and provide for a secure old age.

### What do we mean by needing and wanting something?

A **need** is something that is needed for survival. It is one thing that is necessary for an individual's healthy life. A **desire** is something that a person desires or wants to have. Wishes are entertaining. It is important to strike a balance between needs and wants, when a person is planning to have his or her basic needs met before considering luxury. For example, before spending any money on expensive household items, make sure children's school fees has been paid.

**Group exercise:** The trainees form a group consisting of 5 members (one group only men, other only women only and the rest mixed-sex groups). They discuss and list down the things they need and want in their life.

S.N.	Needs	Wants
1		
2		
3		
4		
5		
6		
7		
8		



## Part 2: Setting financial goals

*By the end of this session, trainees will be able to:*

- Familiarize themselves with defining financial goals.
- Understand the importance of a financial plan.
- Determine how they can set a financial goal.

### Discussion points

- What are your sources of income?
- Which of these sources of income are rare or irregular? Why?
- How do people spend their money?
- What expenses do you pay every now and then as opposed to daily or weekly?
- How do you make your own financial plan?
- If you make a large income from time to time, how are you going to use it to pay for year-round expenses?
- How do you plan for expenses that only arise now and then?
- What are the options for improving money management through budgeting?

### What is a financial plan?

**"A financial plan is a tool to help you decide how to use your money to achieve your goals."**

As discussed above, money is essential to meeting basic needs and needs. However, the type or choice of spending is just as important as having money. For example, in order to keep a sheep fattening business going or to let it grow, your money/financial management style should be improved. To do this, it is important to set financial objectives. Financial goals are the short- or long-term goals you set for yourself or your business in terms of how you will save and spend money. These can be goals that you want to achieve in the near or long term. Either way, it is much easier to identify your goals in advance to achieve them. Like other expenses, financial goals should be included in your budget so you can take meaningful steps to achieve them while you still have cash left over for other expenses. Calculate how long it will take to complete each goal and how much money you will have to spend during that period of time.

### What is the importance of setting a financial plan?

Setting yourself goals and developing a realistic plan to achieve them can help track your progress and encourage you to move on. Setting financial goals can help you change your future by influencing your current actions. In general, the financial plan/budget preparation will:

- Help determine your future expenses or expenses.
- Allow you to be disciplined in your saving and spending.
- Help you avoid a money crisis.
- Allow you to feel less financially stressed.

To set a financial plan, one should:

- Determine what is important, review, and weigh them, from practical and urgent to unusual and distant.
- Sort out what is achievable, what will take some time, and what needs to be part of the long-term plan.
- Make sure the goals are SMART (Specific, Measurable, Achievable, Relevant and Timely).
- Determine the sources of income and the way in which you will spend your money.
- Decide how much money you have now and how you will use the money to save and invest to meet your goals. If you don't have enough cash on hand, look for ways to raise extra cash.
- Planning for expenses that are not incurred on a regular basis is critical to effective money management.
- If you receive a substantial sum at once, it is important to consider how you can use the money effectively to meet basic needs, save for the future and pay off expenses.



## MANUAL

S.N.	Goals		Income sources		Expenses	
	Short-term	Long-term	Regular	Irregular	Regular	Irregular
1						
2						
3						
4						
5						
6						
7						

### Part 3: Budgeting

By the end of this session, trainees will be able to:

- Define budget
- Understand the importance of budget planning
- Identify ways to improve their money management through budgeting

#### What is budgeting?

Farmers, including sheep fatteners, usually start out production or business with a lot of hope and excitement. However, without a budget, they will struggle to develop a workable plan of action. It is easy for them to get involved in the day-to-day issues of running a business and lose sight of the bigger picture. Successful companies take the time to create and manage budgets, draft and review business plans, and regularly track their financial condition and performance.

Budgeting is a strategy of dividing your income between the basic cost of living, savings, and investments over a period of time. It is a tool that helps in making decisions about how to make and spend money to achieve desired goals or visions. It is helpful in determining how you

**“A budget is a breakdown of expected earnings and how they will be spent over a set period of time.”**

will use your income to pay for expenses such as living expenses, loan repayments, livestock inputs and how much you can save for the future.

#### What is the importance of budgeting?

Budgeting determines the currently available capital, estimates expenses, and forecasts future income. Businesses can compare production outputs versus spending and ensure that resources are available to support business growth and development by referring to the budget. It allows sheep farmers to focus on cash flow, cost reduction, profit management, and return on investment as business owners. Any business success is based on budgeting. It helps in planning and managing finances of the business because planning is worthless without spending control, and without planning, there are no goals to meet.

In general, how does budgeting play the following roles in your life and business? It...

- Allows you to allocate your income to different types of expenses.
- Supports you in making spending and saving decisions.
- Encourages careful and disciplined spending.
- Allows you to be in control of your financial situation.
- Helps you organize and manage money more effectively.
- Helps you plan and achieve your financial goals.





## Session 3. Savings

### Session Objective

As entrepreneurs, sheep fatteners have the opportunity to increase their wealth, but they also get into unexpected financial difficulties and must therefore be prepared to avoid risks and setbacks. This session aims to familiarize sheep farmers with the idea of saving and the importance of saving to experience greater financial security.

*Pre and post evaluation questions:*

1. What is saving?
2. What is the importance of saving?
3. How do you create a saving plan?

*At the end of this learning module, trainees will be able to:*

- Describe the importance, reasons and benefits of savings.
- Identify the different forms of savings.
- Learn how to create a savings plan.

### Part 1: What is saving?

*By the end of this learning session, trainees will be able to:*

- Define saving.
- Understand the importance of saving.

Saving is the act of setting aside a portion of current income for future use, be it in the form of cash, sheep or other livestock, or production inputs. It is done over a period, not all at once. It is possible that you may have to forego current indulgences to save for a better future. Savings can be in the form of increased bank or cooperative deposits, more sheep or livestock or cash on hand. An individual's willingness to save is influenced by their preferences for future expenses over current consumption, their expectations of future income and, to a lesser extent, the interest rate.

**"Savings is the process of putting aside a portion of one's current income for future use, or the flow of resources collected in this way over time."**

*Discussion points*

- What are the main reasons people save?
- What are the saving goals for your family or business?
- Where and how can we save our money?
- What do you have to consider before you decide on your savings options?

### Where can you save your money?

Before deciding where to save your money, please make sure of the following:

- It is safe and secure.
- It is easily accessible.
- There is good interest rate on the savings.
- There is little or no fees on your bank account (make sure your monthly interest is higher than monthly fees).
- The cooperative/group or bank values and treats you well as a client.

There are different options where to save your money, including:

- In an account with a formal institution for saving money such as a commercial bank, credit institution or micro-depository institution. Banks hold and manage your savings. They come with a monthly or annual fee.
- With a Savings and Loan Association (SLA) or any other self-help group. People from the same village or farmers group save their money together to make the money grow. SLAs give out loans to members and collect interest. The money generated by the interest repayment is then shared among the members.
- With a registered financial cooperative (SACCO). A SACCO is a savings and credit cooperative. This is a legal entity with formal and defined structures and systems. Operations are very formally run by applicable policies and procedures. SACCOs have an account with a commercial institution.
- Home saving, in a box/tin, under the mattress, or in a hole in the ground inside the house. This is the least secure way of saving.
- Assets like sheep or livestock are a savings method of saving because they retain value and can be





resold at a later date (for the same amount of money or more).

- Harmonize the family and work together towards the same goals.

## Part 2. Making a saving plan

*By the end of this learning session, trainees will be able to:*

- Establish considerations before creating a saving plan.
- Understand how to create a saving plan.

### What are saving goals?

Savings goals are the short- or long-term goals that you set for yourself or your business to save your excess money or income. These can be goals that you want to achieve in the near or long term. Savings goals can be short-term plans that could be achieved in less than 1 year or long-term goals that could take more than 1 year to be achieved. By setting savings goals, you can:

- Decide your spending priorities for the future.
- Discipline in spending and saving.
- Avoid unexpected shortages of money.
- Feel less financial stress.

### How to create savings plan

To create a savings plan, you need to look at your income, how much you have available, and determine your savings priorities. Which goals are most important to you? Having a clear plan will help you know what to do, increase your savings discipline, and achieve your savings goals more successfully. To meet your savings goals, you must, decide what you want to save for and find out how much it costs, whether it is buying a house, land, starting/upgrading your sheep fattening business, studying, or saving for your child's school fees, etc. Make sure you are saving realistically and do not be over-ambitious.

- Start saving now – the sooner you start, the sooner you will get there.
- Put your savings in a safe place where you will earn good interest.
- Save regularly and over a longer period. Only then can your money accumulate.





## Session 4. Loans

### Session Objective

Businesses, including sheep fattening, require financial capital at various stages of operations. As entrepreneurs, sheep farmers need to find out how to get the most out of the available resources in every possible way. This session is designed to help the farmer understand credit as well as the costs, obligations, and risks of borrowing.

*Pre and post evaluation questions:*

1. What is loan and what is its importance for business?
2. What are the reasons or times for taking loans or borrowing?
3. Where do we get money to borrow?

*At the end of this learning session, trainees will be able to:*

- Understand loans and credit.
- Determine the costs and risks of borrowing.
- Understand how to meet borrowing obligations.

### What is a loan?

A loan is an amount of money that a person, a group or a cooperative can borrow from banks or other financial institutions in order to financially cope with planned or unplanned events. This creates a debt for the borrower, which he must repay with interest and within a certain period.

The recipient and the lender must agree on the terms of the loan before money changes hands. In some cases, the lender requires that the borrower offer an asset as collateral, which is described in the loan document. Loans can be given to individuals, groups, cooperatives or even governments. The main idea behind taking loans is to raise funds to increase the total amount of money. The interest and fees serve as a source of income for the lender.

Loans can be further divided into secured and unsecured, open and closed, and conventional loan types.

**Secured and unsecured loans:** A secured loan is a loan that is secured by some form of collateral. For example, most financial institutions require borrowers to present their title deeds or other documents proving ownership of an asset until they have paid back the loans in full. Other assets that can be pledged as collateral include livestock

or other personal property. Conversely, an unsecured loan means that the borrower does not have to offer an asset as collateral. With unsecured loans, lenders are very thorough in assessing the borrower's financial condition. In this way, they can assess the recipient's ability to repay and decide whether the loan will be granted.

**Open-end and closed-end loans:** With an open-ended loan, a person has the freedom to borrow repeatedly. However, a credit limit is the highest amount of money that one can borrow at any one time. Depending on an individual's financial needs, they can use all or part of their credit limit. In the case of closed loans, private individuals are only allowed to take out loans again after they have paid them back. With the repayment of the closed loan, the loan balance decreases. However, if the borrower wants more money, they will have to apply for a new loan. The process involves submitting documents, proving creditworthiness and waiting for approval. Examples of closed-end loans are house loans, land loans, education/student loans.

**Conventional loans:** These are loans that are not insured by government agencies.

Before deciding or planning to take a loan, here are some things to consider:

- Purpose of the loan.
- Total cost of the loan e.g. interest and additional charges.
- Payback period.
- Additional benefits that come with the loan e.g. grace period.
- The economic returns on the loan.
- Repayment period.
- Time of disbursement and duration of loan processing for the intended purpose.
- Internal controls available to ensure financial discipline.
- Compare offers for similar products from other financial providers.



## Session 5. Investment

### Session Objective

It is true that opportunities come with risks and that investments can sometimes lead to losses. It is for this reason that it is crucial for sheep farmers to educate themselves about investments in order to meet the challenges and opportunities that the market presents for them. The purpose of this session, therefore, is to enable sheep fattening farmers to understand investments and their various forms, and to determine how investment decisions are made

*Pre and post evaluation questions:*

1. What is investment?
2. Why should we invest?
3. What is the best time to invest?

*At the end of this learning session, trainees will be able to:*

- Define investments.
- Name the different types of investments.
- Describe the different reasons why one should invest.
- Describe what influences investment decisions.

### What is investment and its forms?

**“Investment is forgoing today’s consumption for an activity that will bring you more income in the future.”**

An investment is the purchase of assets that are not consumed today but will be used to build wealth or increase in value in the future and can be sold at a higher price. You have chosen not to spend your money on household expenses, but instead to buy an asset that will make you more money. In short, these are expenses that will make you more money. The difference between saving and investing is that to save, you put money aside for future use, while investing puts money into a productive activity in order to multiply it.

There are 3 common types of investments that are classified according to the time it takes for the investor to generate returns. These include:

**Short-term Investments:** The invested money should soon bring income (income). It usually takes less than two years to obtain the expected returns.

**Medium-term Investments:** These are investments that are expected to have cash flow after two years; it can be a lump sum or a regular flow of money. Examples include developing your business to be more productive.

**Long-term investments:** These are investments that require a lot of money and take a long time to generate income. Your income can flow in once it's completed, but it will be a long time before you get the money you put into the project. It takes a long time to get your money back. This includes investing in breeding animals or buying a farm.

### What to consider before making an investment decision?

Before making an investment decision, the most important points must be understood by the investor, namely:

- What are your investment goals – short term capital accumulation, long term financial security?
- Do I have the knowledge and skills to make the investment work?
- What are the investment costs, do I have the money?
- What is its income potential? – Is it good enough for my goal?
- How long will the investment produce returns in the short, medium, or long term.
- What are the risks associated with the investment? Are you ready to take these risks?



# Session 6. Risk and Responsibility (Livestock Insurance)

## Session Objective

This session aims to familiarize sheep farmers with the concept of risk, its sources and management, as identifying, measuring and managing risk is a key activity for businesses. In this session, trainees will identify the fundamental nature of risk and how different perceptions of risk lead to different decisions about how to deal with risk and how to manage it.

*Pre and post evaluation questions:*

1. What does risk mean to you?
2. What are the sources of danger in your locality and business?
3. What is insurance and why is it important?

*After this session, trainees should be able to:*

- Understand insurance.
- Familiarize yourself with the importance of insurance.

## What is insurance?

Insurance is a contract under which an insurance company pays a person or a company for specific damage, such as bad weather (drought), an accident, fire or death. An insured person pays a predetermined amount of money (premium) to be compensated when the event occurs.

## What is the benefit of insurance?

Insurance benefits both people and businesses in a number of ways, including:

- **Protection against uncertainties:** This is one of the most important and important advantages of insurance. The insured person or company is compensated against damage under the insurance policy.
- **Cash flow management:** The uncertainty of paying for the losses incurred out of the pocket has a significant impact on cash flow management. With an insurance policy, however, one can counteract this uncertainty without any problems.

As a business owner, one should:

- **Prepare for the unexpected:** Purchasing insurance mitigates some of the financial risks associated with unforeseen disasters. For example, if a farmer insures his or her fattening sheep or farm, he or she will be reimbursed for some of the money lost if output is harmed by sudden disasters.
- **Look for the best service from an insurance company or broker ("shop around").** Consider the conditions, processes, and time it will take to receive compensation in the event of a loss when selecting the insurance company.
- **Take the necessary action to maintain your insurance coverage or product.**



# Session 7. Financial Management at Cooperative Level

## Session Objective

Sheep fattening groups and cooperatives and their members should be aware of and pay particular attention to all financial matters related to the operations and functioning of their collective groups. Members do not require professional qualifications but should have financial training and understand the need for sound financial management for the cooperatives to be successful. This session aims to provide sheep farmers with basic information on cooperative financial management and associated instruments.

*Pre and post evaluation questions:*

1. What are cooperatives?
2. What is cooperative financial management?
3. Why and how do you practice financial management?

*At the end of this learning session, trainees will be able to:*

- Define cooperatives and their principles.
- Understand cooperative financial management.
- Identify the tools for cooperative financial management.
- Practice cooperative financial management.

## What are cooperatives?

A cooperative is an autonomous group of people who have come together voluntarily to achieve their common economic, social and cultural needs and goals through a democratically run, jointly owned company.

Cooperatives have common characteristics such as:

- The members have at least one common interest.
- Members strive to improve their economic and social situation through cooperation.
- Members use an entity that is jointly owned and operated to provide services or goods.
- Regardless of their physical size or activity, cooperatives aim to use the common resources of the members to produce or purchase goods or services for the members.

## What is cooperative financial management?

Cooperative financial management can be defined as managing the finances of a cooperative to provide satisfactory service to its members in accordance with the bylaws. Financial management for sheep fattening cooperatives is all about budgeting and making decisions that enable the cooperative to exist and be financially viable, while also ensuring that its money is spent efficiently. Financial management is crucial for cooperatives in many ways, including:

- Establishment of appropriate financial management structures and accounting procedures.
- Organize accounting books and journals in a professional manner.
- Preparation of monthly, quarterly, and annual budget plans and support in compliance with and adherence to the financial policy of the cooperatives.
- Help to follow and respect the financial policy of the cooperative.
- Record transactions chronologically and perform a monthly, quarterly, and yearly cash inventory.
- Assist in processing payments according to the cooperative's budget plan.
- Prepare monthly, quarterly, and yearly financial reports and communicate them to the management committee.
- Submit the audit report and findings to members at the general meeting.

## Components of cooperative financial management

### a. Financial statements

Financial statements are official records of a company's financial activities and status. They are important because they enable the evaluation of previous measures and serve as a basis for the selection of future projects. However, the most important financial accounts for businesses are cash flow, income statements, and balance sheets.

*A cash flow statement:* A financial statement that shows how much money has been generated and spent over a specific period of time.



**A profit and loss statement:** A financial statement that shows how much money was earned and how much money was spent over a certain period of time.

**A balance sheet:** Annual financial statement that shows a cooperative's assets, liabilities, and equity (total value) at a specific point in time.

These three statements are always required at the end of the financial year and after the audit has been completed.

### b. Financial controls

The systems, rules, and means by which a cooperative monitors and regulates the management, allocation, and use of funds are known as financial controls. In a cooperative, these are the focus of resource management and operational efficiency. The following are examples of financial controls:

**Internal control:** This is a process that ensures accurate financial reporting, efficient operations, and compliance with applicable rules and regulations. It includes the cooperative's plan as well as any coordination mechanisms used within a sheep fattening operation to protect assets, ensure the integrity and reliability of accounting data, improve operational efficiency, and promote compliance with the cooperative's statutes and regulations. Operational controls, accounting and financial controls, and compliance controls are examples of internal controls.

**External control:** This is bookkeeping and financial control by an external auditor.

### c. Financial recording

Financial accounting is the most important primary level of financial management that enables cooperatives to oversee monetary business transactions by showing the correct picture of assets, liabilities, profits and losses. Keeping financial records is important as it enables cooperatives to:

- Prepare proper and timely financial accounts.
- Provide data for financial management and business decisions in the cooperative.
- Allow for a quick assessment of the cooperative's financial condition at any time.
- Allow management to quickly identify places where problems may arise and potential solutions.
- Allow the cooperative to calculate the taxes to be paid and fulfill the legal obligations of the country's tax and cooperative law.
- Assist in the providing information to funding or credit organizations.
- Increase the likelihood that cooperatives will function sustainably and successfully by providing essential information and details for future financial planning.





# Further reading

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Established in 1977, the International Center for Agricultural Research in the Dry Areas (ICARDA) is a non-profit, CGIAR Research Center that focusses on delivering innovative solutions for sustainable agricultural development in the non-tropical dry areas of the developing world. We provide innovative, science-based solutions to improve the livelihoods and resilience of resource-poor smallholder farmers. We do this through strategic partnerships, linking research to development, and capacity development, and by taking into account gender equality and the role of youth in transforming the non-tropical dry areas.  
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