Micro-finance case study - *Caribbean 'Partner hand' scheme*

This activity about microfinance can be used with a reading or mathematics focus.

Comprehension task

Read the following pages 2 -3 about a micro finance scheme and answer the following questions.

1. What other terms can be used to describe micro-finance schemes?

2. What numeracy concepts are used by the banker of a partner lend scheme?

3. What action is proposed as a way of encouraging micro-finance schemes?

OR calculate to money saved and distributed using the

Finance Game

Read the instructions, make decisions and fill in the blank Partner Hand System Bankers Cards on page 4 for months one and two of the scheme you have agreed.

The answers are on page 5

Traditional Caribbean Micro-finance System

Background to Microfinance schemes
*'Microfinance schemes were not developed by international aid agencies or NGOs. Many such schemes have long histories in the developing world......
Another term for this type of scheme is a rotating savings and credit association (ROSCA). (DART IT: 2011)*
During the 1940s when the first immigrants came to Britain from the commonwealth, mainly the Caribbean islands to help rebuild a depleted workforce created by the war, they were not always welcomed into the British society. They were, more often than not unable to find suitable accommodation and were forced to share a small room with others.

Banks were hesitant to provide financial services such as loans, credit or saving accounts to anyone on a low income with little or no assets to use as collateral, as well as the substantial costs involved by the banks in managing such an account. Therefore within their communities 'microfinance schemes' were developed.

*'One such microfinance scheme is known variously as a **'sou-sou'**, **'box money'**, **'meeting turn'** or **'partner hand'** in the Caribbean and **'tinton'** in Senegal.'*
DART IT (2011) *Traditional Microfinance Systems.* Accessed 9 June 2011 at
www.dartitindia.com/microfinance.php

Traditional Caribbean Micro-finance System:
In order for the '**partner hand system'** to work it requires the formation of a committed co-operative group. The members of the group pay an agreed amount of money to the 'banker' at regularly scheduled intervals.

For example, if there are 10 members in the group, each member pays £100 a month to the banker, this is known as **1 hand**. The first month's money is held by the banker as an emergency fund.

At an agreed interval all the collected money is given to one of the members. Each member takes it in turn to receive the entire amount or 'hand' after the banker has taken out his/her fee, which is usually £1 from every £10 given or 10% of the total amount.

 If at any time a member is unable to provide their share or part of it to the banker, the emergency money is borrowed by said member who in turn has to pay it back to the banker when their hand is due.

The banker keeps an up-to-date account of each member's contribution, any money they borrow from the emergency fund and the name, date of the person who 'draws the hand' each month.

The following is a description of the activity of such a microfinance group.

1. 10 members in a **'partner hand'** plus a banker. Each member gives their **hand** to the banker each month.
2. 10 hands @ £100 per hand = £1000
3. 1st month – banker keeps the hands (emergency fund)
4. Banker takes a fee of £10 for every £100 given
5. 2nd month onwards – each member takes it in turn to receive the full hand (£1000 - minus the fee £100 = £900)

In interviewing the banker the question was asked regarding the procedure used in collecting and distributing the 'partner hand' each month.

The banker replied

> *When I receive a 'hand' from a group member, (£100), I first count it out in front of them to make sure they have given me the correct amount. I then write their name in my book and take out my £10 fee, which leaves £90. (see below)*
> *I do this until every member has delivered their money, which goes into the 'Partner pot'.*
> *I check on my rota to see who is due to receive their hand, although they tend to remind me when it is their turn to receive their hand.*

PARTNER HAND MONTH: One (January 2012)				
Name:	Amount paid in: £	Date:	Banker Fee: £	Amount in pot: £
Joy	100	10/1/11	10	90
Petra	100	10/1/11	10	90
Simon	100	13/1/11	10	90
Winnie	100	20/1/11	10	90
Mr Nash	100	21/1/11	10	90
Francis	100	21/1/11	10	90
Katie	100	25/1/11	10	90
Mrs Maple	100	25/1/11	10	90
Julies	100	25/1/11	10	90
Carmen	100	25/1/11	10	90
	Total: 1000		Total: 100	Total: 900

Partner Hand System Bankers Card

Instructions
Agree the partner 'hand' funding level, the banker's fee and ways to monitor and calculate amounts in the pot.

The banker said
> *When I receive a 'hand' from a group member, I first count it out in front of them to make sure they have given me the correct amount. I then write their name in my book and take out my fee, which leaves the money for the pot.*
> *I do this until every member has delivered their money, which goes into the 'Partner pot'.*
> *I check on my rota to see who is due to receive their hand, although they tend to remind me when it is their turn to receive their hand.*

1 Hand = _____ Bankers Fee_____

PARTNER HAND MONTH: One				
Name:	Amount paid in: £	Date:	Banker Fee: £	Amount in pot: £
	Total:		Total:	Total:

Now decide how to monitor and record the borrowing and savings and for another months' records.

	Total:	PARTNER HAND MONTH: Two	Total:	Total:
Name:	Amount paid in: £	Date:	Banker Fee: £	Amount in pot: £
	Total:		Total:	Total:

Answers to tasks and NUMERACY SKILLS involved

The **numeracy skills** which the banker has acquired in order to carry out the operation of running a '**partner hand'** are the skills used in everyday life, for example,

1. The four basic mathematical operations of addition, subtraction, multiplication and division. These are all in the context of money and used to calculate how much money is received and distributed to the members in the group.

2. If there are 10 members in a co-operative savings group, plus a banker. Each member gives the banker a **sum of money** (£100) each month.
   10 x £100 = £1000 – _multiplying using 10,100, 1000 N1/L1.4_(UK Adult Numeracy Curriculum reference)

3. 1st month – no returns on savings (used as emergency fund)
   Banker charges a fee of 10% on each £100 received (10% of £100 = £10) – _finding simple percentage parts of quantities, N2/L1.9_ (UK Adult Numeracy Curriculum reference)

4. 2nd month onwards – each member takes it in turn to receive the total sum of money, £1000 less 10% banker's fee, (10/100x1000=100) -simple calculations and percentages using a calculator, N2/L1.11
   (UK Adult Numeracy Curriculum reference)

5. The Banker may also use **fractions** but does not address them in these terms

Answers to tasks

1. What other terms can be used to describe micro-finance schemes?

   Answer: rotating savings, a credit association. Also less formally : sou-sou, box money, meeting turn, partner hand and tinton.

2. What two numeracy concepts are identified as being involved for the banker of a partner lend scheme although they may not be recognised as being used?

   Answer: percentages and fractions.

3. What action is proposed as a way of encouraging micro-finance schemes?

   Answer: using a game in a community setting.

Finance Game

The results will depend on the decisions made about the value of the Hand and the Bankers fee. However Month two should include the pot amount from the previous month or record who received the pot and when.