

A Basket of Bangles: How a Business Begins

By Ginger Howard / ISBN: 0-7613-1902-6

Lesson by:

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Lesson Description:

In this lesson, students listen to a story and answer questions about lending in Bangladesh. They complete a diagram that shows the impact of lending on a community. Working as a class, they compare the similarities and differences between banks lending in the United States and the Grameen Bank lending in Bangladesh. Students work with a partner to estimate profits based on Sufiya's prices and costs in the book.

Age Level:

9-11 years old

Content Standards:

National Standards for Economics

- Standard 10, Benchmark 1 for Grade 4: Banks are institutions where people save money and earn interest and where other people borrow money and pay interest.
- Standard 12, Benchmark 1 for Grade 12: An interest rate is a price of money that is borrowed or saved.

National Standards in Personal Finance

- Spending and Credit Standards, Benchmark 4 for Grade 4: Responsible borrowers repay as promised, showing that they are worthy of getting credit in the future.
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Concepts:

Banks
Collateral
Interest
Profit

Objectives:

Students will:

1. Define banks, collateral, interest and profit.
 2. Explain that responsible borrowers repay loans as promised.
 3. Explain that bank loans have an impact on the borrower and on the community.
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Time Required:

75 minutes

Materials:

- A copy of Handouts 1, 2, 3 and 5 for each student
 - A copy of Handout 4 for the teacher
 - Visuals 1, 2 and 3
 - Small pieces of candy or other tokens to award-winners in the game
 - A copy of *Basket of Bangles* by Ginger Howard
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Procedures:

1. Introduce the lesson by asking the following questions:
 - What is a bank? (*Answers will vary. Some students may say that a bank is a business in a community that accepts deposits from its customers and makes loans.*)
 - Why do people keep their money in banks? (*Banks are a safe place to keep money. It is easy to pay bills if you have a bank account. Banks pay interest.*)
 - Why might someone want to borrow money? (*to buy something, to start a business, to go to school*)
2. Tell the students that **banks** are businesses that accept people's deposits of money and make loans to people who want to borrow money. Explain that the students are going to listen to a story about women in Bangladesh who borrow money and the bank that lends the women money.
3. Begin reading the story. At the end of page 6, ask the following questions:
 - What is a loan? (*when someone gives you money or something else to use, but you must repay the money or return the item*)
 - Why did Sufiya want a loan from the bank? (*She wanted to start a business selling bangle bracelets.*)
 - What did the banker tell Sufiya she had to do? (*Find friends to borrow money with her.*)

Procedure continued:

4. Continue reading. At the end of page 7, ask the students what the five ladies had to do to get the loan. *(They had to be able to write their names and memorize the bank rules.)*
5. Continue reading. At the end of page 12, ask the following questions:
 - What is a taka? *(the money or currency of Bangladesh)*
 - Whose money is Sufiya using when she borrows? *(the money of those who save in the bank)*
 - What percent interest did Sufiya have to pay? *(20 percent)*
 - How much interest will Sufiya pay at the end of the year? *(400 taka)*
 - How did the banker determine this amount? *(Convert 20 percent to a decimal and multiply 2000 taka by 0.20.)*
 - How did the bank and Sufiya determine the amount Sufiya would have to pay each week? *(2,000 taka/50 weeks = 40 taka a week)*
6. Explain that **interest** is the price for using someone else's money. When people deposit money in banks, the banks pay the depositors an extra amount called interest. In exchange for the interest paid, banks are able to use the money on deposit to make loans. The banks charge the people to whom they make loans interest—an extra amount. People who borrow money pay the interest in exchange for using someone else's money.
7. Continue reading. At the end of page 16, ask the following questions:
 - How much did each bangle cost Sufiya? *(6 taka)*
 - For what price did Sufiya sell her bangles? *(10 taka each)*
 - Why does Sufiya sell her bangles for a price higher than the cost of buying the bangles? *(Answers will vary.)*
8. Explain that people go into business and sell goods and services in order to earn profit. **Profit** is the amount of revenue that remains after a business pays the cost of producing a good or service. For Sufiya, the cost of buying the bangles is six taka. She must also make her loan payment and save the money to pay interest in the 50th week. What remains after Sufiya pays these costs is her profit. Profit is Sufiya's income. She is able to use her income to support her family.
9. Continue reading and stop after page 17. Ask the students why Sufiya chose to save 8 taka each week for the interest due on the fiftieth week. *(She knew the interest would be 400 taka at the end, $8 \times 50 = 400$. She knew if she didn't save a little each week, she wouldn't have the 400 taka she needed.)*

Procedure continued:

10. Discuss the following:
 - Why was the bank willing to make loans to Sufiya and her four friends? *(The bank thought that the women would be successful and repay the loan. The bank is trying to encourage development in Bangladesh. It wants to provide people with an opportunity to earn income and make the community better.)*
 - Why did the bank charge interest? *(Answers will vary. Students may say that the bank charged interest as payment for letting the women use someone else's money.)*
11. Explain that people deposit money in accounts at banks. The banks pay the people who deposit interest on their deposits. The banks use the money deposited to make loans to other people in the community. Banks charge interest on these loans. The banks charge enough interest to pay the interest on deposits, to cover the other costs of operating the bank and to earn profit for the owners of the bank.
12. Ask the students why Sufiya and her friends were better off as a result of the loans. *(They were able to earn enough to pay the costs of their business and have enough income to buy food, clothing and other things for their families.)*
13. Distribute a copy of *Handout 1: Banks in the Community* to each student. Divide the class into pairs and have pairs of students complete the handout. When students have finished working, discuss the following:
 - From where did each woman receive taka? *(Grameen Bank)*
 - What did each woman buy? *(Sufiya—a large basket, bangles and a sheet of tin; Peara—a basket, muri, mango, stone mortar and pestle; Khatun—a cow and mosquito net; Aleya—a goat, rice, lentils and cooking pot; Rokeya—woven sari and petticoat)*
 - From whom did Sufiya, Peara, Khatun, Aleya, and Rokeya purchase goods? *(other people, other merchants, people at the market)*
 - What did the merchants and people from whom the ladies bought things do with the taka they received? *(They paid costs and bought goods and services for themselves and their families from other merchants.)*
 - When the bank makes loans, does it help more people than the people to whom it lends? *(Yes.) Explain. (When the people who borrow start their businesses, they make purchases. Once they earn income, they make other purchases. The people who the borrowers purchase from benefit.)*
14. Point out that when Sufiya, Peara, Khatun, Aleya and Rokeya buy things from other sellers, the other sellers receive taka, which they can use to pay their costs

Procedure continued:

and to take care of themselves and their families. Many people in the community were better off as a result of the loans to Sufiya, Peara, Khatun, Aleya and Rokeya.

15. Explain that the loan Sufiya and her friends received was similar to and different from a loan that a bank in the United States would make. Distribute a copy of *Handout 2: Similarities and Differences* to each student. Display *Visual 1: Similarities and Differences*. Point out that the name of the bank from which Sufiya and her friends got loans was the Grameen Bank. Tell students that this is a real bank started by Muhammad Yunus, who won the 2006 Nobel Peace Prize for his work.
16. Tell the students that the class will work together to create a diagram to show the similarities and differences between the loans from the Grameen Bank and loans from banks in the United States. Explain and discuss the following:
 - There are three parts to the diagram.
 - On the left there is a picture of a U.S. bank with U.S. coins below it. In the coins, students will record information that pertains only the U.S. bank.
 - On the right side there is a picture of the Grameen Bank from the story. Below the bank are taka coins. In the coins, students will record information that pertains only to the Grameen Bank.
 - In the center are U.S. coins and taka that overlap. In the coins in this section, students will write things that are similar about loans from both banks.
 - How many people were required for a loan from the Grameen Bank? (5)
 - Write "five people" in one of the taka under the Grameen Bank on the handout.
 - Are banks in the United States willing to make loans to individuals? (Yes.) Write "loans to individuals" in one of the U.S. coins under the U.S. bank on the handout.
 - Many times banks in the United States require that a person have collateral for a loan. **Collateral** is an asset—something that has value—that a bank is able to keep if the person fails to repay the loan. A car is an asset that a bank can retain if a person fails to repay his or her car loan.
 - Write "collateral" in a coin under the U.S. bank and tell students to do the same.
 - Both banks charge interest. Write "charge interest" in one set of overlapping coins in between the two banks and have students do the same.

Procedure continued:

- Both banks require that borrowers sign a paper agreeing to repay the loan. Write "sign to repay" in one set of overlapping coins between the two banks and have students do the same.
 - Both banks have rules regarding repayment, but each bank's rules are different.
 - Write "have repayment rules" in one set of overlapping coins and tell students to do the same.
 - The amount of interest banks charge on loans is related to whether the person has collateral and whether the person has income and a history of repaying loans. People who don't have these things will pay a higher rate of interest, because the risk that they won't repay the loan is greater.
 - Is it easier or harder to get a loan in Bangladesh than in the United States? (*Answers will vary.*)
 - It is easier for people in the United States to get loans than it is for people in Bangladesh. That is why the Grameen Bank was started. Write "easier to get loans" in a coin under U.S. bank and tell students to do the same.
 - Loans in the United States help the borrower and the community, just like Sufiya's loan helped her and her community. Write "helps the borrower and the community" in one set of overlapping coins and tell students to do the same.
17. Distribute a copy of *Handout 3: Estimating Profit* to each student. Divide the class into pairs. Tell pairs of students to work together to complete the handout.
18. Allow time for students to work. Discuss the problems as follows.
- If Sufiya sold 15 bangles every day for a week, how many bangles would she sell? ($15 \times 7 = 105$)
 - How many taka would she earn each week if she continues to sell each bangle for 10 taka? ($105 \times 10 = 1,050$ taka/week)
 - How much would Sufiya have to spend each week buying the bangles if she continued to buy each one for 6 taka? ($105 \times 6 = 630$ taka)
 - What other costs must Sufiya pay? (*the bank loan and the interest for the 50th week*)
 - How much is Sufiya's loan payment and how much must she set aside for her final interest payment? (*40 taka and 8 taka*)
 - How much profit will Sufiya earn each week after paying all of her costs? ($1,050 - 630 - 48 = 372$)

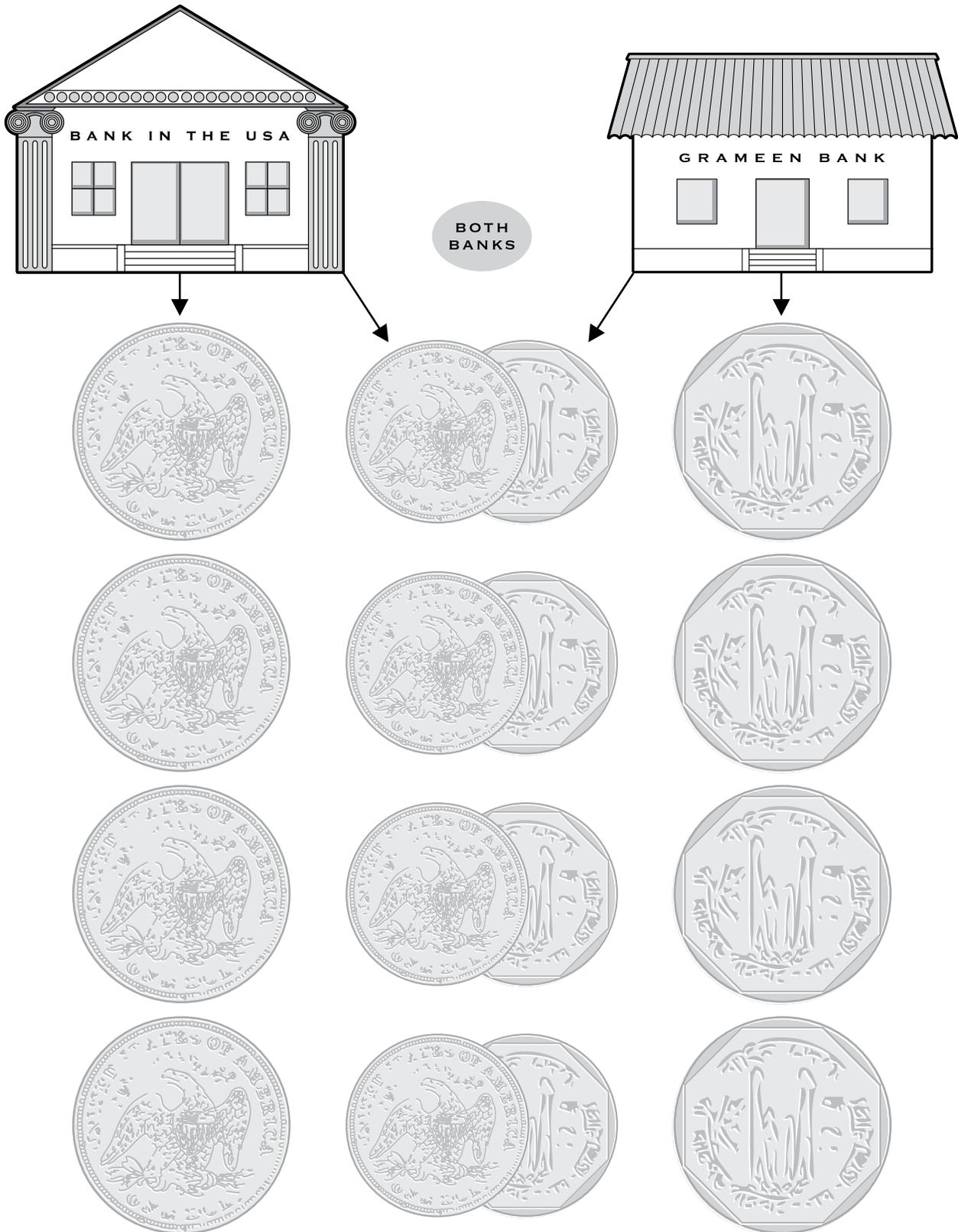
Closure:

19. Divide the students into three groups. Explain that the groups will play a trivia game. Display *Visual 1: Rules for the Game* and review the rules with the students.
20. Draw three columns on the board and label each column "Team 1," "Team 2" and "Team 3." Begin reading questions from *Handout 4: Game Questions*. Record scores for each team as team members respond to the questions.
21. At the end of the game, total team scores and provide small pieces of candy or other tokens as awards for the winners.

Assessment:

22. Distribute a copy of *Handout 5: Assessment* to each student. Tell students to answer the questions on the handout. Display *Visual 3: Assessment Answer Key* with the answers for the questions to Handout 5 and allow students to self-check.

Visual 1: Similarities and Differences



Visual 2: Rules for the Game

- Each team must appoint someone as a spokesperson for the group.
- Teams will take turns answering questions, beginning with the team to the teacher's far right and moving to the left.
- The teams may use scrap paper and pencil if needed.
- The teacher reads a question. The team has 30 seconds to discuss the question.
- The spokesperson must deliver the answer for the team; no one else may answer for the team.
- If a team's answer is correct, the team receives 1 point and may continue playing until the team gives an incorrect answer.
- If the team's answer is incorrect, the team loses 1 point. The teacher reads the same question to the next team.

Visual 3: Assessment Answer Key

1. Andrew wants to open a craft supply store. He borrows \$3,000 for one year from the Second Community Bank. The bank charges 10 percent interest on the loan. How much interest will Andrew owe at the end of the year?

Andrew must pay \$300 in interest

$$\$3,000 \times 0.10 = \$300$$

2. Why must Andrew pay interest on the loan?

Andrew must pay interest because he is using other people's money—money they have deposited in the bank. Interest is the price for using someone else's money.

3. Ms. Agesago is a history teacher at the middle school. Her student, Elsmarie, asked to borrow a pen. Ms. Agesago agreed to lend Elsmarie a pen, but Ms. Agesago asked Elsmarie for her shoe. Ms. Agesago said that at the end of class, if Elsmarie returned the pen, Ms. Agesago would return Elsmarie's shoe. What is the shoe, and why did Ms. Agesago want it?

The shoe is collateral for lending the pen. Ms. Agesago wants the shoe to keep in case Elsmarie doesn't return the pen. Ms. Agesago hopes that Elsmarie will return the pen because she wants her shoe back.

4. Read the paragraph below and answer the questions that follow. Show your work.

Maleka wants to open a lemonade stand. Maleka's mother agreed to buy the supplies for Maleka. The supplies cost \$6.50, and Maleka must repay her mother. Maleka's mother is not charging interest. Maleka also borrowed a pitcher, table and chairs from her mother. Mother is charging Maleka \$1.50 to rent the pitcher, table and chairs. Maleka plans to sell her lemonade for \$0.40 a cup.

- a. What is Maleka's cost for producing lemonade?

Maleka's cost for producing lemonade are \$8.00.

$$\$6.50 + \$1.50 = \$8.00$$

- b. How many cups of lemonade must Maleka sell to pay all of her costs?

Maleka must sell 20 cups of lemonade to pay all of her costs.

$$\$8.00 / \$0.40 = 20$$

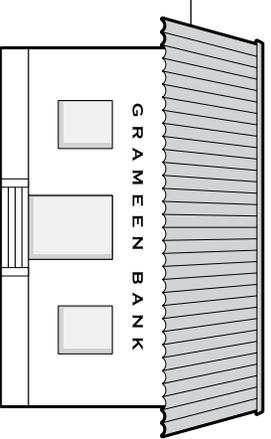
- c. If Maleka sells 40 cups of lemonade, how much profit will she earn?

Maleka will earn \$8.00 profit.

$$(40 \text{ cups} \times \$0.40) - (\$8.00 \text{ in costs}) = \$8.00$$

Handout 1: Banks in the Community

Directions: Draw lines to connect the Gramen Bank with the borrowers. Then draw lines to connect the borrowers with the items they purchased. Answer the questions at the bottom of the page. Use the back of this page to write your answers.



Sufiya

Peara

Khatoon

Aleya

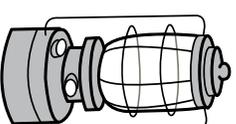
Rokeya



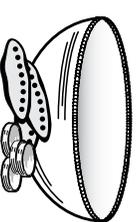
Sheet of Tin



Petticoat



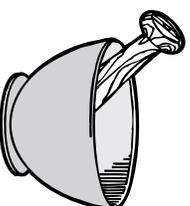
Kerosene lamp



Basket, muri and mango



Large basket and bangles



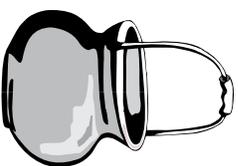
Stone mortar and pestle



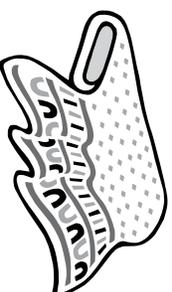
Goat



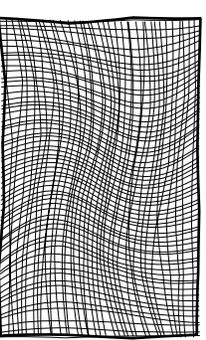
Cow



Rice, lentils and cooking pot



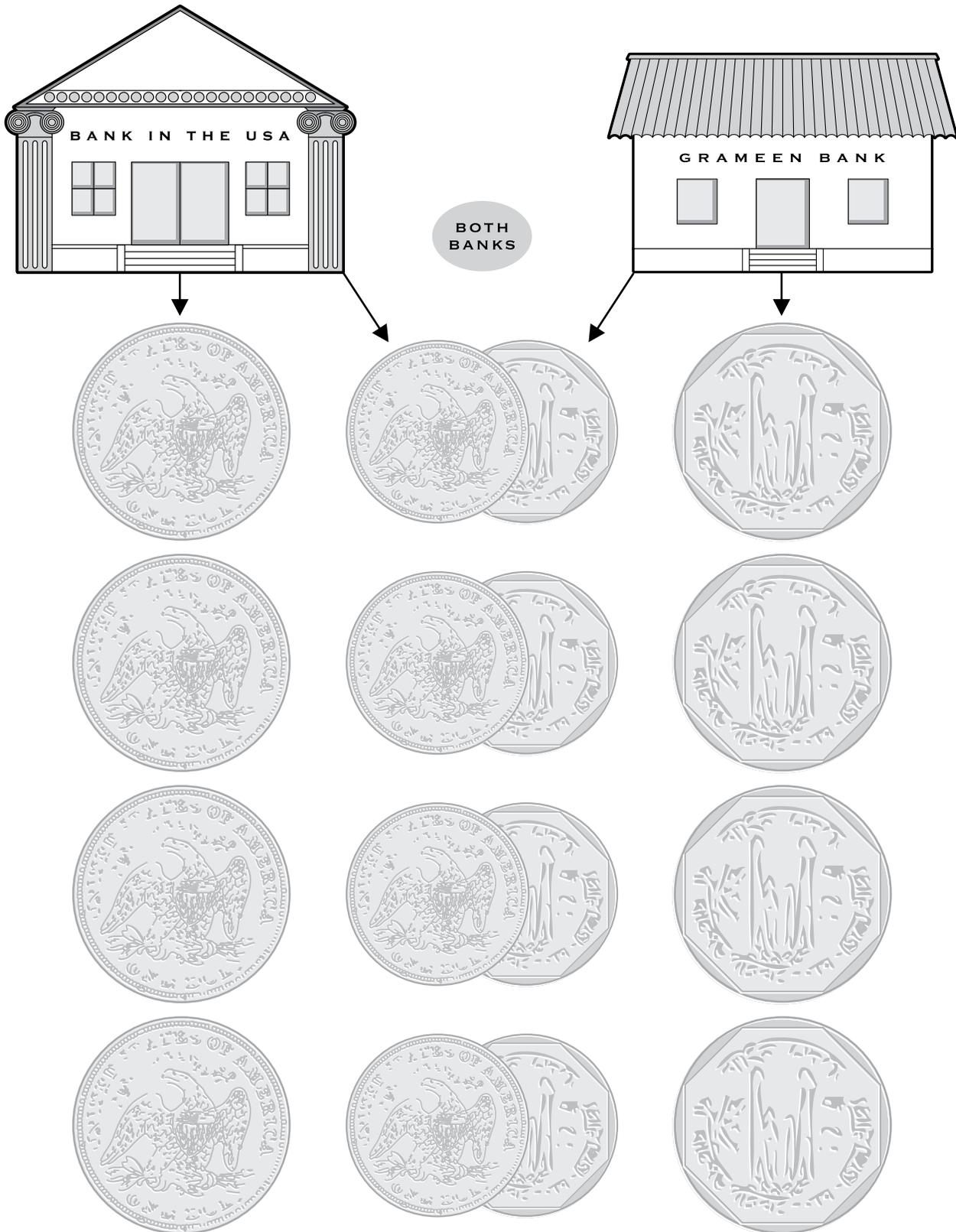
Woven sari



Mosquito net

1. From whom did Sufiya, Peara, Khatoon, Aleya and Rokeya purchase goods?
2. What did the merchants and people from whom the ladies brought things do with the money they received?
3. When the bank makes loans, does it help more people than the people to whom it lends? Explain.

Handout 2: Similarities and Differences



Handout 3: Estimating Profit

Sufiya wants to estimate how much profit she could earn next week. Work with your partner to solve the problems and give Sufiya an estimate. Show your work.

- A. If Sufiya sells 15 bangles every day next week, how many bangles would she sell?

- B. How many taka would she earn if she sells each bangle for 10 taka?

- C. How much would it cost Sufiya to buy the bangles for next week if each bangle costs 6 taka?

- D. What other costs must Sufiya pay?

- E. How much is Sufiya's loan payment, and how much must she set aside for her final interest payment?

- F. How much profit will Sufiya earn next week after paying all of her costs?

Handout 4: Game Questions

1. If Sufiya sold 20 bangles a day instead of 15, how many bangles would she sell in a week? ($20 \times 7 = 140$)
2. If Sufiya decided to take the weekend off, but she sold 18 bangles per day during the week, how many taka would she earn? She continues to sell bangles for 10 taka. ($18 \times 5 = 90$. $90 \times 10 = 900$)
3. If the bank only charged 10 percent interest on Sufiya's 2,000 taka loan, how much interest would she owe on the 50th week? ($2,000 \times 0.10 = 200$)
4. What is interest? (*the price that borrowers pay and lenders receive for using someone else's money*)
5. What is a bank? (*a business that accepts people's deposits of money and lends money to people*)
6. If Khatum sells her milk for 100 taka each day but has to buy food for her cow for 50 taka each day, how many taka does she earn in a week? ($100 \times 7 = 700$, $50 \times 7 = 350$, $700 - 350 = 350$)
7. In the first week, Aleya bought her goat for 200 taka, her oils and herbs for 75 taka, and her soap mold for 50 taka; she paid 50 taka on her loan; and she saved 8 taka for the last payment. She sold her soap for 100 taka that first week. Did she make a profit on the first week? (*No.*)
8. What is "profit"? (*Profit is the amount of money business owners have left after they pay the costs of producing their good or service. Profit is income for the business owner.*)
9. If saris cost 200 taka each, how many saris can Rokeya buy with her original loan? ($2,000/200 = 10$)
10. If the bank wanted the women to pay part of their interest on the 400 taka every week, how much interest would they pay per week? ($400/50 = 8$)
11. If the women had missed payments during those 50 weeks, why wouldn't the bank give them another loan? (*The bank would not trust them to pay all of the money back on time.*)
12. Why is it important to the bank that the women pay the interest? (*That is the way the bank earns profit and ensures it will have money to lend to others in the future.*)
13. What is "collateral"? (*Collateral is an asset—something that has value—that a bank is able to keep if the person fails to repay the loan.*)

Handout 4: Game Questions continued

14. Did Sufiya have collateral when she asked for her loan? *(No.)*
15. What did the bank ask Sufiya to do because she didn't have collateral? *(Find four friends to borrow with her.)*
16. How do loans benefit the community? *(When the borrower uses the money in the community to start a business, buy a car, pay for education, buy new appliances and so on, others in the community receive payment for the goods and services purchased. Those people, in turn, are paid for their work and use the payment to buy other goods and services.)*

Handout 5: Assessment

Answer each question below.

1. Andrew wants to open a craft supply store. He borrows \$3,000 for one year from the Second Community Bank. The bank charges 10 percent interest on the loan. How much interest will Andrew owe at the end of the year? Show your work.

2. Why must Andrew pay interest on the loan?

3. Ms. Agesago is a history teacher at the middle school. Her student, Elsmarie, asked to borrow a pen. Ms. Agesago agreed to lend Elsmarie a pen, but Ms. Agesago asked Elsmarie for her shoe. Ms. Agesago said that at the end of class, if Elsmarie returned the pen, Ms. Agesago would return Elsmarie's shoe. What is the shoe, and why did Ms. Agesago want it?

4. Read the paragraph below, and answer the questions that follow. Show your work.

Maleka wants to open a lemonade stand. Maleka's mother agreed to buy the supplies for Maleka. The supplies cost \$6.50, and Maleka must repay her mother. Maleka's mother is not charging interest. Maleka also borrowed a pitcher, table and chairs from her mother. Mother is charging Maleka \$1.50 to rent the pitcher, table and chairs. Maleka plans to sell her lemonade for \$0.40 a cup.

a. What are Maleka's costs for producing lemonade?

b. How many cups of lemonade must Maleka sell to pay all of her costs?

c. If Maleka sells 40 cups of lemonade, how much profit will she earn?