

# Help Sri Lankans rebuild after the tsunami

## Credit in Australia, Microcredit in Asia

Primary Years  
Years 3-5



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Have you ever wondered what life would be like without credit? Loans from banks, car loans, credit cards and phone credit on mobile phones all contribute to our lifestyle in Australia. Is all credit the same? Can all people access credit at the same rate of interest?

Access to credit is not equitable across all families in Australia, and it is not equitable across all families in Asia. Low income families often have greater difficulty in accessing a loan at a manageable rate of interest. The inability to access loans at manageable rates of interest can mean that low income families take out loans at rates of interest that are unreasonable and keep them poor.

In this the United Nations International Year of Micro-Credit, we have the opportunity to consider credit options for families in Australia and in Asia, and this is an opportunity to consider how microcredit can improve the lives of low income families.

## SECTION 1

### Credit in Australia

What sort of credit is available to families in Australia?

Ask students to consider the following questions. This discussion can begin in the classroom, and then students can research with their own families on this topic.

What is loan? What is credit?

- Where have you got information about loans from? e.g. TV ads, radio, newspaper, magazines, internet, billboards, family and friends

#### Activity

##### *Numeracy*

- a. Collect and sort data from magazines, newspapers, brochures and websites about loans and make posters for the classroom*

### *Literacy*

*b. Label the different categories e.g. types of loans, techniques for advertising or whatever the class has determined as the method of sorting the information about loans.*

- Why are loans important? e.g. to purchase large and expensive items that may take a lifetime to repay, or to improve family income by borrowing to set up a small business or lifestyle such as a car to get to work, or a holiday, or renovations or to help a family out in an emergency, to buy things that the family does not have the cash for.

### **Activity**

#### *Literacy and numeracy*

*a. Research with your family and describe how a person gets a loan i.e. home loan/car loan/business loan/holiday loan/furniture loan etc*

- When is a loan really important to help a family? e.g. burglary, fire, unemployment, illness, stolen car, natural disasters
- Where does a family in Australia get a loan? e.g. bank, broker, credit unions, pawnbroker, family and friends
- How do lenders like banks make a profit through lending money? e.g. interest rates

### **Activity**

#### *Literacy and numeracy*

*a. Collect brochures about loans with conditions for borrowing and interest repayments. Sort and explain your data. You can choose to use graph paper, posters, excel, Word or publisher to help you represent this data. (Students will notice that typically, credit cards have much higher interest rates than home loans.)*

- Can anyone get a loan at a reasonable rate of interest? What criteria do banks use before deciding whether they will lend money at reasonable rates of interest? e.g. employment, savings, income, credit history

### **Activity**

*a. Research the criteria used by banks to decide if they will lend money to a person. Share with your group and create a list.*

*b. Invite a guest speaker, perhaps a parent in the school community, to speak about the criteria banks and credit unions use to determine who they will lend money to. The speaker might be able to give some examples of families/people that are advantaged by the criteria used in Australia to determine who gets a loan, and families/people that are disadvantaged.*

*c. Consider if the criteria used by banks and lending societies could be made fairer?*

- Discuss the advantages for a family of being able to have a loan from a bank/building society at a reasonable rate of interest? e.g. can buy a new house, set up a new business, buy furniture and pay it off gradually, buy something on sale and then save up and pay off the item, help them in a crisis.
- Discuss the disadvantages for a family of not being able to have a loan from a bank/building society at a reasonable rate of interest? e.g. cannot buy something that is reduced, cannot buy something that is an unexpected opportunity, cannot buy large expensive items because it is too difficult to save, (saving to buy a house for cash is difficult because house prices increase).

### **Activity**

- a. Research with your family and make a list of organisations in South Australia that help low income families to improve their lives? e.g. St Vincent de Paul, Caritas Australia, Fred's Van, Anglicare SA etc.*
  - b. Invite a guest speaker from one of these organisations to provide more information about how they help low incomes families.*
  - c. Do any of these organisations or others offer credit to low income families? If so, what is the interest rate? Is the interest rate reasonable?*
  - d. In small groups select one organisation that supports low income families and research the type of help it gives. Does that help include access to loans? If so, at what rate of interest? Consider how you will research this, e.g. guest speaker, phone, letter, Google search. Sort and present your data. You can choose to use graph paper, posters, excel, Word or publisher to help you represent this data. Your group can then share your data about the organisation you researched with the class.*
- What would you like to see happen about access to credit that could improve the lives of low income families in Australia? What could your class do?

## SECTION 2

### Microcredit in Asia improves the lives of low income families

This section will lead the students into an understanding of how microcredit improves the lives of low income families in Asia, in particular Sri Lanka. Students will need to be explicitly taught about low income families in Asia and the ways that they make an income. Many families in Asia make a living by producing and selling food.

#### Activity

- a. *This hyperlink provides pictures which give students information about how low income families in Sri Lanka produce rice:*

[http://www.galenfrysinger.com/rice\\_farming\\_sri\\_lanka.htm](http://www.galenfrysinger.com/rice_farming_sri_lanka.htm)

*Compare rice farming in Sri Lanka to farming in Australia. Can you find some image of farmers in Australia? e.g., Google search, TV shows, newspapers, journal articles. What are the similarities, what are the differences?*

- b. *On a map of Australasia, identify Australia and Sri Lanka. Mark in Canberra, the capital city of Australia and Colombo, the capital city of Sri Lanka.*

- c. *This hyperlink shows images from Colombo, the capital city of Sri Lanka. Scroll through the pictures of Colombo until you come to the market in Colombo, where low income villagers sell food that is produced on their farm. When they sell their farm produce at the market, they make an income for their family. How would you describe the market in Colombo? What foods can you recognise? Are any foods strange to you?*

<http://www.galenfrysinger.com/colombo.htm>

*Compare selling of food in the market in Colombo, Sri Lanka to where your family buys food.*

- d. *Visit the Adelaide Central Market and/or China Town and look for foods that come from Asia. Fill in a table or map identifying the Asian food in the Adelaide Central Market/China Town and the Asian country it was grown (originated from). The hyperlink below provides some images of the Adelaide Central Market and China Town.*

[http://www.touradelaide.com/adel\\_central\\_market.html](http://www.touradelaide.com/adel_central_market.html)

- e. *Visit the Adelaide Botanic Gardens and speak with the Education Officer (telephone (61 8) 8222 9311) about the "Plants and people of Asia" trail and accompanying booklet.*

- *Read and discuss the information about microcredit found in the brochure 'Help Sri Lankans rebuild after the tsunami'.*

<http://online.cesane.adl.catholic.edu.au/docushare/dsweb/Get/Document-5995/Microcredit+brochure.pdf>

- Microcredit is a sustainable method of improving the lives of low income families by providing small loans at manageable rates of interest to local co-operatives. These local co-operatives decide which members receive loans and at what rate of interest. The loan is used to increase and improve production and therefore the income of the family.

### *Leelawathie's Story*

*A common method of establishing microcredit is for an organisation like **Caritas Australia** to provide initial funding to a small group of low income families in a village. This funding might be \$100.00 and the group would decide which members receive loans from this funding. The group might decide that five members will receive a loan of \$20.00 each.*

*One of the members of this group is Leelawathie Tissera, and she proposed to the group that she would like a \$20.00 loan to buy a stove and new pans so she can produce fresh leaf congee, a rice gruel. With the money she makes from selling the congee, Leelawathie repays her loan with interest and increases her family income. The money that Leelawathie repays with interest increases the amount of money the co-operative has to loan to other low income families in the village group.*

*If Leelawathie could not borrow money from the co-operative in her village at a reasonable rate of interest, she would have two choices. Firstly, she could leave things the way they are, and not buy the items needed to build a small business to improve her family income. The second option would be to borrow money from a money lender at a very high rate of interest, perhaps 200% or more. That would mean in one year she would have to pay back \$60.00 on a loan of \$20.00. If Leelawathie borrows money from the money lender at a very high rate of interest, all the money she makes from selling more congee will go to the money lender to repay her loan with interest. She will not be able to improve the lives of her family.*

*Sometimes people like Leelawathie who borrow money from a money lender at very high rates of interest have to borrow from another money lender because they have not been able to save all the money they need to pay the debt back to the first money lender in time. In this way, low income families can get themselves into very serious debt because they can not access loans at manageable rates of interest.*

## Activity

### Literacy

- a. *Break the word microcredit into two parts, 'micro' and 'credit'. What do they mean as individual words?*
- b. *What new meaning do they have when they are joined?*
- c. *Make a list of other words that begin with the prefix 'micro'. What do these 'micro' words mean?*

### Numeracy

- a. *From what you have learnt about banks, would they want to lend \$20.00 to Leelawathie to build up her congee business? Discuss how a bank would respond to a request from Leelawathie to borrow \$20.00. Perhaps you could present your group response as a role play showing what the bank would think about this. How would Leelawathie feel if she approached a bank for a loan? Would there be people in Australia who would be nervous to go to a bank for a loan?*
  - b. *What are the advantages for Leelawathie's village of having their own locally managed co-operative to borrow from instead of a large bank in a city like Colombo?*
  - c. *If Leelawathie borrowed \$20 through microcredit for one year at 10% interest, how much would she pay back at the end of the year?*
  - d. *If Leelawathie borrowed \$20 through a money lender for one year at 100% interest, how much would she pay back at the end of the year?*
  - e. *What advantages are there for Leelawathie's family of borrowing \$20 using microcredit instead of the money lender?*
  - f. *What is a reasonable rate of interest for a small loan for a low income family?*
  - g. *What do you think is an unreasonable rate of interest for a small loan for a low income family?*
  - h. *Are there families in Australia who could benefit from microcredit?*
- Read the brochure again and look closely at the description of microcredit.

<http://online.cesnet.adl.catholic.edu.au/docushare/dsweb/Get/Document-5995/Microcredit+brochure.pdf>

### Microcredit improves the lives of low income families

Microcredit is a sustainable method of alleviating poverty by providing loans at reasonable interest rates to low income families unable to access funds from traditional means.

- Sustainable means something that can be ongoing, something that does not run out. When you worked out that Leelawathie paid back \$22.00 to the microcredit group, you would have realised that the microcredit group had made \$2.00 profit. So next time the microcredit group had more money to lend ( $\$20.00 + \$2.00 = \$22.00$ ) to low income families.
- Donations made to *Caritas Australia* were given as initial funding to a local group in a Sri Lankan village. This local group decided to lend a small amount at a reasonable interest rate to Leelawathie and other members of the group with business proposals that seemed well thought out.
- Often donations made to improve the lives of low income families are given as a gift. Can you think of times when donations are made that are not sustainable? (e.g. just after the bushfires near Pt Lincoln and immediately after the tsunami). When is it a good idea for donations to be sustainable, when is that inappropriate?

#### Activity

- a. *Watch the video and take notes about the help that Sri Lanka needed after the tsunami. e.g. roads, schools, food, medicine, houses etc*

[http://www.caritas.org.au/emergencies/earthquake\\_video.htm](http://www.caritas.org.au/emergencies/earthquake_video.htm)

- b. *What help is best given as a gift? e.g. food and medicines straight after the tsunami; food, clothes, medicine and housing straight after the Port Lincoln bushfire*

- c. *What help is best given as a loan? e.g. money to build fishing boats that can be used to make an income through fishing. When the fish are sold, profits made can be used to pay off the loan and a small amount of interest. Then, once the loan has been repaid with interest, the money can be lent to other low income families to improve their income.*

#### Activity

- a. *The idea of microcredit has been represented in the logo of the **United Nations International Year of Microcredit**. Follow the following link to look at the logo. Do you think it is a good logo for the United Nations International Year of Microcredit? What does it make you think?*

<http://www.yearofmicrocredit.org/>

- b. *How could you demonstrate the idea of microcredit being sustainable in a drawing? (Microcredit is sustainable the same way that a traditional bank is sustainable in Australia, because the amount that is repaid is more than the amount that is lent. So microcredit is really the same as bank credit except that it is loans for very small amounts and that it is managed at the local level by the borrowers rather than by a national or international bank)*
- c. *How could you demonstrate the idea of microcredit to another group? It could be older students in your school, students the same age or younger students. Alternatively, your class might decide to present the concept of microcredit to the school or year level in an assembly. The following example is based on demonstrating the ideas behind microcredit to a class of students in that could be in either Reception, Year 1 or Year 2. On the next page is a simple story about quite a complex idea, microcredit to support a cashew nut business, and shows that complicated ideas can be presented in a way that is easy for younger people to understand. Perhaps this example of the cashew nut business might help you with your own ideas about how to explain microcredit simply.*

*Before reading the story you might be interested in seeing the cashew apple, the fruit attached to the cashew nut.*

<http://www.nda.agric.za/docs/cashews/cashew.htm>

## Microcredit for Cashew Business in Tanzania

In Tanzania, a poor country in Africa, there were a group of young men who didn't have enough money to live. Before, they used to borrow money from a person called a moneylender. The moneylender made them pay back extra, so it took ages to give back the money.

But now these young men have a special bank called a microcredit bank thanks to your Project Compassion money. This bank lends them money but does not ask them to pay back a lot extra.

Some of the young men borrowed money to buy cashew nuts and small trays. They made lots of small packets of cashew nuts and filled their trays with these packets. Then they were able to sell their cashew nuts.

They walked up and down the busy streets asking people to buy the packets of cashews. With the money they received they were able to buy things they needed and to start paying back the money they had borrowed.

- *What example would you choose to explain the idea of microcredit to Reception -Year 2 students? The Cashew Nut story, the Leewathie story or another example you have found? Here is a link to another story about a woman who borrowed money from a 'loan shark' to buy a sewing machine to make clothes to sell.*  
  
<http://ozspirit.info/2005/105b.html>
- *What method/s would work best to help Reception -Year 2 students understand the idea of microcredit? e.g. a play, series of pictures, a story, a game, a PowerPoint?*
- *What words would you use to explain microcredit instead of 'sustainable', 'method', 'alleviating poverty', 'low interest rates', 'low income families', 'access funds', and 'traditional means'?*

- *Think also about how you will let the Reception - Year 2 students know why microcredit is important. We all learn new ideas better if the new learning builds on what we already know and if we believe the new learning will help us understand things that are worth knowing. Do you need to find out from the Reception -Year 2 teacher what they have learnt recently? If you think about the way you learn best, it will really help you teach the Reception - Year 2 students about the complex ideas associated with microcredit. Think too, about how you will know if the Reception - Year 2 students have understood what you were teaching. What will be the criteria you will use? e.g. interested, made comments, knew answers, could predict what would happen, made comparisons, understood jokes, wanted to know more.*
  - d. *In groups, demonstrate to the Reception -Year 2 students the idea of microcredit, notice what they found easy to understand and what, if anything, they found more difficult.*
  - e. *In your group, reflect on your presentation to the Reception - Year 2 students and consider if there is anything that you would do differently and if so, why? Consider also, if you were satisfied with the Reception - Year 2 students understanding of the idea of microcredit. Would there be any benefits in spending a little more time with the students? If so, what aspect of microcredit would you focus on and how would you present it this time?*
  - f. *Did working in a group to teach others help your own understanding of microcredit? What was the most helpful part for you?*
  - g. *What questions do you have about microcredit, is there anything else you would like to know? How could you find out some of the answers to your questions?*

## SECTION 3

### How can your class help low income families like the Tisseras in Sri Lanka?

- What can your class do to help *Caritas Australia* provide more low income families in Sri Lanka with access to loans at reasonable rates of interest?
- Visit the folder Fund Raising to provide more ideas to help you with raising money to support low income families access microcredit.

<http://online.cesanet.adl.catholic.edu.au/docushare/dsweb/View/Collection-1640>

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 10 June 2005

# SECTION 4

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