International Labour Organization

BetterFactories Cambodia

Financial Education

For Garment Workers in Cambodia



MANAGE YOUR INCOME SMARTLY!

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TABLE OF CONTENTS

Introduction 7

1. Background 7
2. Presentation of the trainee's booklet 8
3. Introduction of the characters 8

Sopheap's Identity Card 9
Boran's Identity Card 10
Nary's Identity Card 11
Raksa's Identity Card 12

A) Set goals and communicate within your family 13

1. Set your goals 14
2. Assess the costs of your goals and your priorities 16
3. Make a savings plan to achieve your goals 17
4. Talk to your family about your goals 18
5. Decide if migrating is the right choice for you 20
6. Calculate the financial costs of migrating 24

B) Manage your income smartly 27

1. Be a smart spender! 28
2. Understand your work contract and your payslip 33
3. Create your budget! 39
4. Keep track of and stay within your budget 48
5. Keep your financial records 56
6. Receive, access and use your wage safely through digital means 57

Annexes and key documents 61

C) Get to know savings methods and products 63

1. Choose a savings method 64
2. Select your savings products wisely 68

Annexes and key documents 75
Answers to exercises 76

D) Use credit products wisely 79

1. Choose a method to finance your projects 80
2. Select your credit wisely! 84
3. Calculate the cost of your credit 87
4. Watch out! Do not get over-indebted! 96

Annexes and key documents 100
Answers to exercises 101

E) Choose means of payments and money transfer products 105

1. Use means of payment with security ... 106
2. Get to know money transfer operators ... 111
3. How to send and receive money ... 117

Annexes and key documents ... 121
Answers to exercises ... 122

F) Get to know financial institutions and use them with confidence 125

1. Get to know financial institutions ... 126
2. Use financial institutions with confidence! ... 132

Answers to exercises ... 141

G) Risk management and insurance 145

1. Manage risks ... 146
2. Tips to create your emergency fund ... 150
3. Understand your insurance policy ... 151
4. Use your insurance policy ... 155
5. Choose the right insurance product. ... 158

Annexes and key documents ... 160
Answers to exercises ... 161

Extra: Pension and long-term planning 162

1. Plan your retirement ... 163

Annex definitions ... 165

INTRODUCTION

1. BACKGROUND

The document you have in your hands is the Trainee's booklet on financial education. It targets primarily garment workers who wish to improve their money management.

This Trainee's booklet introduces basic knowledge, skills and tools related to earning, spending, budgeting and using financial services such as savings, credit, money transfers and insurance.

The purpose of the Financial Education training materials is to teach workers the fundamentals of personal and family finance. The materials cover the following topics: set financial goals, communicate with confidence, calculate the financial costs of migrating, understand key financial products (savings, loans, payments, digital wallets, insurance), comprehend digital wages, understand and negotiate with financial institutions, transfer money and manage risks. The training is also intended to remedy the low level of education and unequal power relationships - between men and women and between the older and younger generations - which often affect money-related decisions. This specific manual addresses the challenges and opportunities faced by current and potential workers in the garment sector.

The training package was developed by the International Labour Organization (ILO) based on various ILO financial education tools created for different target groups. This specific booklet has been adapted for its use in Cambodia.

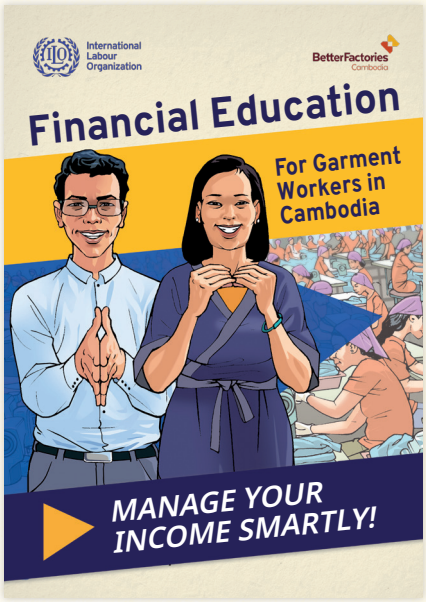
This Trainee's booklet is to be used hand in hand with the trainer's manual. It is developed for specific target groups. As a complement of trainer's manual, the trainee's booklet provides all the information related to fictional characters, case studies, exercises and specific references to the target group. This booklet also comprises the key points of the training and the tools required for using and managing one's money wisely. It is written for the men and women participating in the training courses. It should be used as an exercise book during the course and as a reference guide subsequently.

This Trainee's booklet was developed in the framework of a collaboration between Better Factories Cambodia and the ILO's Global Centre on Digital Wages for Decent Work.

2. PRESENTATION OF THE TRAINEE'S BOOKLET

Financial education, what is it about?

Financial education is the knowledge, skills and tools that enable you to better manage your money. The training you are going to attend will enable you to plan and prepare for your projects in the future. It offers the opportunity to learn skills related to earning, spending, budgeting, saving, borrowing and ways to make the most of your resources.



It will also give you the opportunity to think about communicating better on money matters with your family, your relatives, your employer or people you work with and to sort out some challenges when they arrive.

You will learn or review some tools to manage well your money.

Financial services such as credit, savings, money transfers or insurance won't have any secret for you.

How to use this Trainee's Booklet?

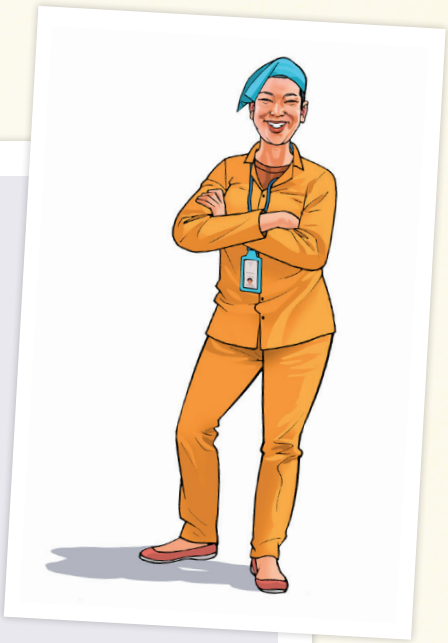
You should use this Trainee's Booklet during the training on financial education. The order of the chapters follows the modules and sessions of the training. However, feel free to read any chapter as you please!

The case studies included throughout this booklet present the experiences of our fictional characters. You will meet them during the sessions and get to know them better.

This booklet includes many exercises and worksheets that you can fill for yourself.

3. INTRODUCTION TO THE CHARACTERS

The training programme uses the stories and experiences of four main characters.



CHARACTER 1
SOPHEAP

NAME: Sopheap

Target Group: *Garment worker. Internal migrant from a province.*

Place of Residence: *Rents a small unit with other workers close to the factory.*

Gender: *Female.*

Age: *37*

Marital Status: *Married, 3 kids.*

Economic Activity: *She works at a garment factory as sewing operator.*

Family:

- *She sends money to her partner and parents back at the village at a regular basis.*

Level of educational attainment: *Finished Elementary School.*

Attitude to money: *Learnt how to use money from her parents. She is careful with her money.*

Financial Characteristics:

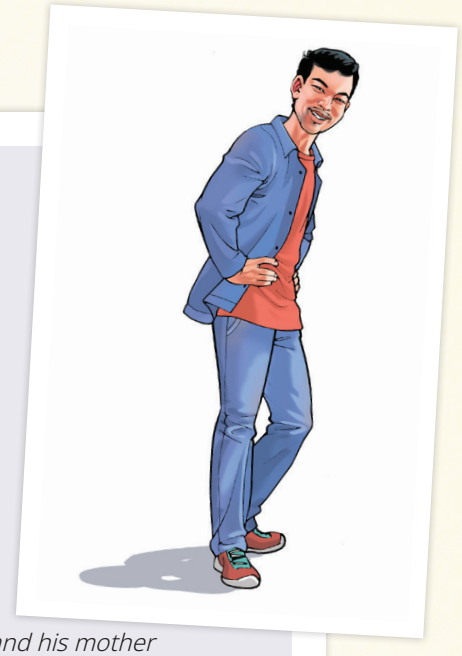
- *Main breadwinner of her family.*
- *Keeps some savings for her but most of her money goes to the family in the province.*
- *She is interested in formal institutions but is afraid of using them.*

Objectives:

- *Finish building her house in their hometown.*
- *Save as much as possible from when she goes back home.*

Secondary Characters:

- *Her husband, Sothea*
- *Her parents, Samet (mother) and Sok (father)*
- *Her friend, Channa*
- *Her colleague, Bopha*



CHARACTER 2
BORAN

NAME: Boran

Target Group: *Garment worker.*

Place of Residence: *Rents a small room. Travels in a motorbike everyday.*

Gender: *Male.*

Age: *35*

Marital Status: *Married, 2 kids in the village with his wife and his mother (Preveng province)*

Economic Activity: *He works at garment factory. He works at the warehouse*

Family:

- *Wife works as a teacher in Preveng. Their children are with her.*

Level of educational attainment: *Finished Primary School.*

Attitude to money: *Never got information on how to handle his money. Strong preference for cash because that was the case when he lived in the village*

Financial Characteristics:

- *Tries to save as much as possible.*
- *Afraid of using new financial services.*
- *Still repaying a loan.*

Objectives:

- *He wants to finish repaying the loan he took to buy the motorbike to achieve other goals.*
- *He and his wife want to have their own house.*

Secondary Characters:

- *His wife, Chenda.*
- *His children, two boys: Chhay (aged 10) and Sopath (8).*
- *His colleagues, Say and Vibol.*



CHARACTER 3
NARY

NAME: Nary

Target Group: *Worker in a travel goods factory located in a special economic zone.*

Place of Residence: *Lives in a small house close to the factory with her family.*

Gender: *Female.*

Age: *24*

Marital Status: *Single, no children.*

Economic Activity: *She works at a Satellite Unit as packer.*

Family:

- *Lives with her parents, her brother and her sister in the same house.*

Level of educational attainment: *Finished primary-school.*

Attitude to money: *Learnt some basic skills about money management from her mother. She is a bit careless when it comes to money management and takes many decisions that then she regrets.*

Financial Characteristics:

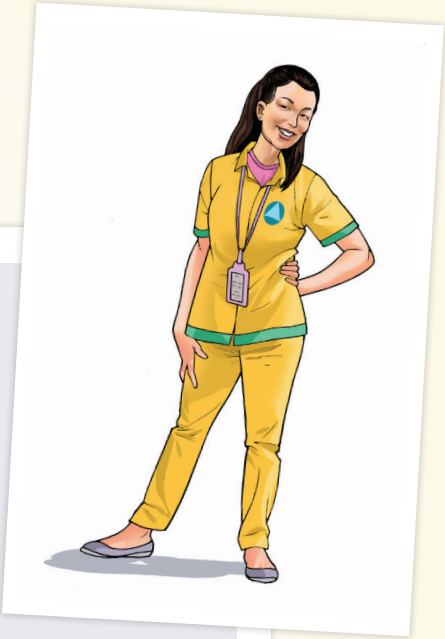
- *She lends too much money to friends/relatives without repayment expectation.*
- *She shares her card details with other members of the family.*
- *Uses formal products from financial institutions.*

Objectives:

- *She would like to build an extra room for her at her parents' house.*
- *Improve her financial management.*

Secondary Characters:

- *Her neighbours, Bopha and Oudom.*
- *Her cousin Rotha.*
- *Her parents.*
- *Her brother Chea.*



CHARACTER 4
RAKSA

NAME: **Raksa**

Target Group: *Garment worker.*

Place of Residence: *Lives next to her parents in a newly built home. Travels daily by truck to a factory located in a Special Economic Zone. She spends 2 hours traveling each day.*

Gender: *Female.*

Age: *24*

Marital Status: *Married, one child.*

Economic Activity: *She works at an export factory as quality controller.*

Family:
- *Her parents.*
- *Her husband and child.*

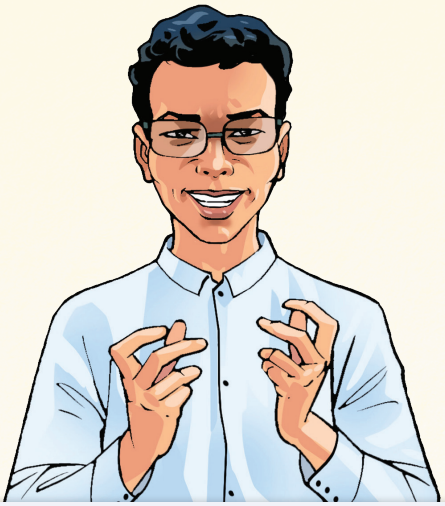
Level of educational attainment: *Finished high-school.*

Attitude to money: *Very cautious about spending money as her family has a lot of needs.*

Financial Characteristics:
- *Strong preference for cash but interested in digital wages to manage her money better.*

Objectives:
- *Save as much as possible.*
- *Give good education to her child.*
- *Improve her financial management.*

Secondary Characters:
- *Her colleague, Rany.*
- *Visal, an informal lender.*
- *Her friends Phany and Tina.*
- *Her cousin in the village.*



A

SET GOALS AND COMMUNICATE WITHIN YOUR FAMILY

FINANCIAL EDUCATION QUIZ

A1. What does the following proverb mean? *"If a man does not know to which port he's steering, no wind is favourable to him."*

- ☐ **a.** You need to have wind to be able to sail.
- ☐ **b.** It is easier to realize your life projects if you know where you go and if you set concrete goals.
- ☐ **c.** It is easy to steer one's boat when there is wind.

A2. What is the best way to achieve your goals for the future?

- ☐ **a.** To have short-term and long-term goals and save regularly to be able to achieve them.
- ☐ **b.** To have goals and hope that they will be achieved. It is important to have faith in myself.
- ☐ **c.** I am too young to have goals for the future, I can think of this in the future.

A3. Your parents call you to ask for money again for a ceremony in the village

- ☐ **a.** I send them money right away as you always do what your parents ask.
- ☐ **b.** I disagree strongly and refuse to send any money.
- ☐ **c.** I discuss with them to better understand their needs and see how I can help them keeping in mind my goals and my savings plan.

A4. What is a savings plan?

- ☐ **a.** A financial product.
- ☐ **b.** A plan where you can see your goals, their costs, the date by which you want to reach your goals, and the amount that you must save to reach them.
- ☐ **c.** A moneybox.

A5. What should you do before deciding if you should migrate?

- ☐ **a.** I should go to the bank and check whether I can borrow money to migrate.
- ☐ **b.** I should list all advantages and disadvantages, calculate how much it would cost, and make an informed choice.
- ☐ **c.** I should only listen to and trust people who have migrated.

Answers: A.1:b; A.2:a; A.3:c; A.4:b, A.5:b

1. SET YOUR GOALS

DEFINITION

A goal is something you want to do. Setting goals helps you to define what you want to do in life and hence to know what you need to do to make it come true.



Let's get to know Sopheap, one of our characters.

Case Study N°1

SOPHEAP'S STORY

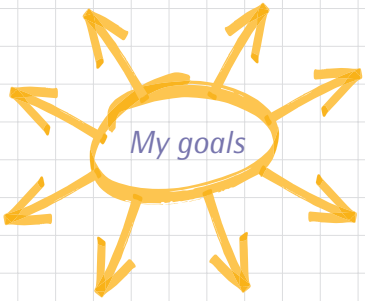
Sopheap is 37 years old. She has migrated from Kratie some years ago and has been working in the same export factory since then. She got married with Sothea in her village when she was 16 years old. They have 3 kids back at home, aged 18, 16 and 12.

Sopheap works as a sewing operator in the factory. She heard about this opportunity to work in the factories from other women in her hometown and decided it was a good opportunity to earn money, save for building a home and support her family. It was difficult thinking of being far from the kids but she talked with Sothea and decided this was a good time now that the kids were a bit older. She likes her job but sometimes she is very tired of working so many hours. Back home at the village, Sothea lives with Sopheap's parents. He works as a daily labourer in an agricultural farm close by, same as Sopheap's father. Sopheap's mother takes care of the house. Sopheap's sister is 22 years old, helps her mother with the house and works occasionally at a market selling products.

Sopheap sends every month almost 50% of her income to her family through a money mobile operator. She keeps the remaining money, and she spends it in renting the room, food, toiletries and internet data bundles. She also keeps a bit for spending on her free time. Sometimes she manages to save a bit in her personal account. Of the money that is sent home, according to what her husband tells her, a big portion is used to save for building a bigger house for when Sopheap is back, and the rest is used for normal expenses they have there.

Sopheap has many ideas for her future back at home. Her dream would be to have her own salon shop. Sopheap, Sothea and her family dream of buying a plot of land to grow their own vegetables. Sopheap would also like to finish school.

What are Sopheap's dreams?
Write them here!

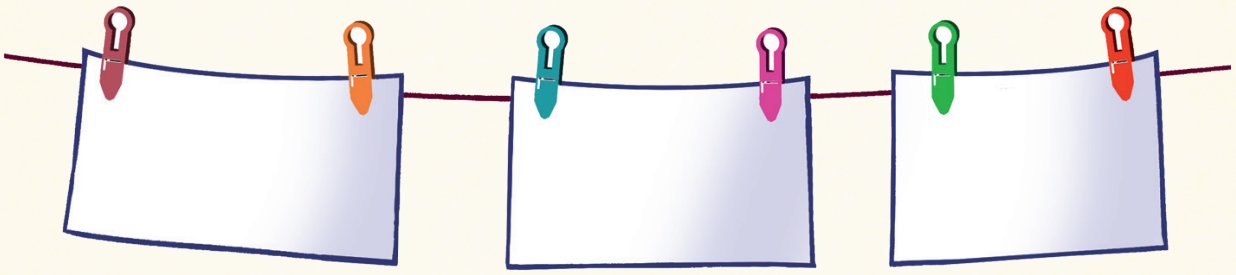


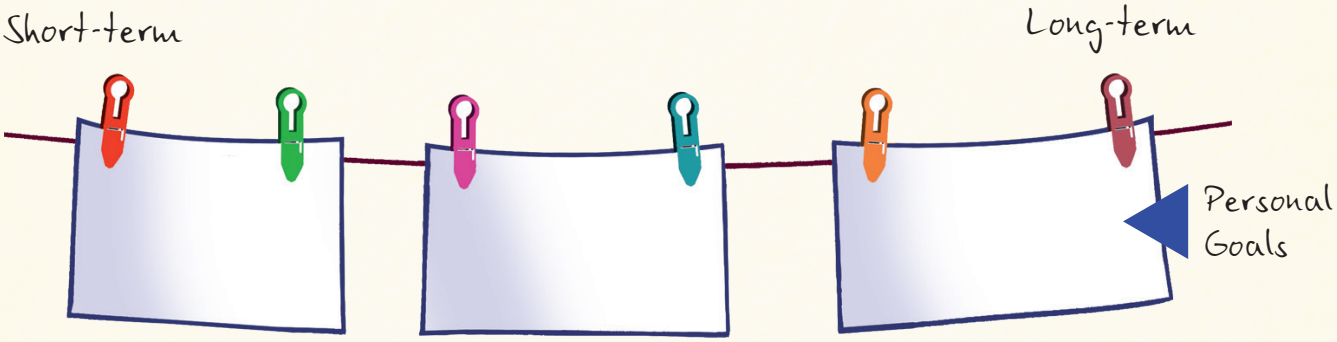
TRAINING AID A.1.1.

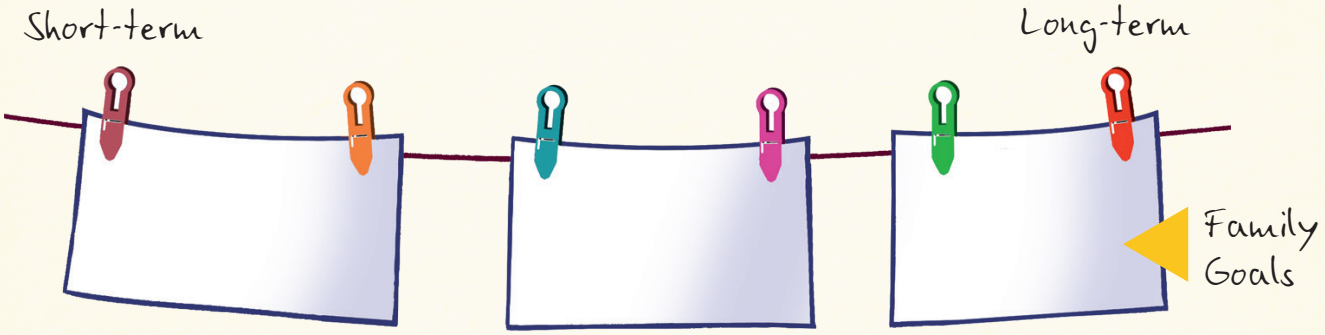
My goals

Have you ever thought about your goals?

If so, write or draw them here!







REMEMBER

All your objectives are important! Some objectives can be achieved faster than others.

IMPORTANT: managing your money well can reduce your stress levels

2. ASSESS THE COSTS OF YOUR GOALS AND YOUR PRIORITIES

Do you know the costs of your goals?

Do you know the costs of your goals? If you do, write the costs beside the goals you have written or drawn above. If you don't, it is very important that you find out. It is the only way to know how much money you need to achieve your goals. Meanwhile you can indicate an approximate cost that you can correct later.

Then, prioritize your goals indicating 1 for the most important, 2 for the second most important and so on.

NUMBER	PERSONAL OR FAMILY GOAL	GOAL	ESTIMATED COST

REMEMBER

Goals are generally easier to achieve if you think ahead and gather all the information you need to take a well-informed decision. It is vital that we assess how much it will cost to achieve our goals. Careful research is sometimes necessary (seeking information from suppliers, finding out about market trends, etc.).

Do not forget that prices rise over time! Therefore build in a margin, i.e. save a bit more, in case the costs of achieving your goals increase in the next few years.

3. MAKE A SAVINGS PLAN TO ACHIEVE YOUR GOALS



Case Study N°2

NARY'S SAVINGS PLAN

Nary works as a packer in a travel goods factory. She is single and has no children. She lives with her parents, her brother and her sister. They all share incomes and expenses from the household. She has many objectives for her future, but she knows it is not easy to achieve them all. Nary has reviewed her projects.

She would like to change her cell phone in the short run because it is really old and most of the apps she uses on a daily basis are not working properly. She would also like to have a motorbike one day to avoid travelling so long to get to the factory, but she knows they are very expensive and decides to postpone this objective for now. What she would like to achieve in a year's time is to buy a new sewing machine. She could share the costs with her sister who also lives with her.

In the long run, she wants to buy the materials needed to build an extra room in the house. Her father can help with the work needed as he is very talented doing this.

Nary has assessed the cost of each project and set dates for when she would like to achieve her goals. She has calculated the amount she needs to save each month for this purpose. Nary has drawn up what we call a savings plan. This has given her a clearer picture of what she needs to save each month to achieve her goals.

So, let's take a look at Nary savings plan!

MY SAVINGS PLAN

My goals	Date by when I want to achieve my goals	Cost of my goals	Number of months before the date of achievement of my goal	Other sources of financing (if relevant)	How much I need to save each month to achieve my goal
Short-term goals (less than 12 months):					
To buy a new cell-phone	March this year	$ 180	6 months		$ 30
Medium-term goals (1 to 3 years):					
To buy a new sewing machine	January next year	$ 240	12 months	Sister will contribute half of the total cost	$ 10
Long-term goals (more than 3 years):					
To buy the materials needed to build an extra room in the house	January 5 years' time	$ 3000	60 months		$ 50
Total amount I need to save every month to achieve all my goals (sum of the amounts in the right-hand column):					$ 90



⚠ **IMPORTANT: Once Nary reaches her short-term goal, she will need to adjust her savings plan and the money she needs to set aside each month to achieve her other goals.**

TRAINING AID A1.2

My savings plan



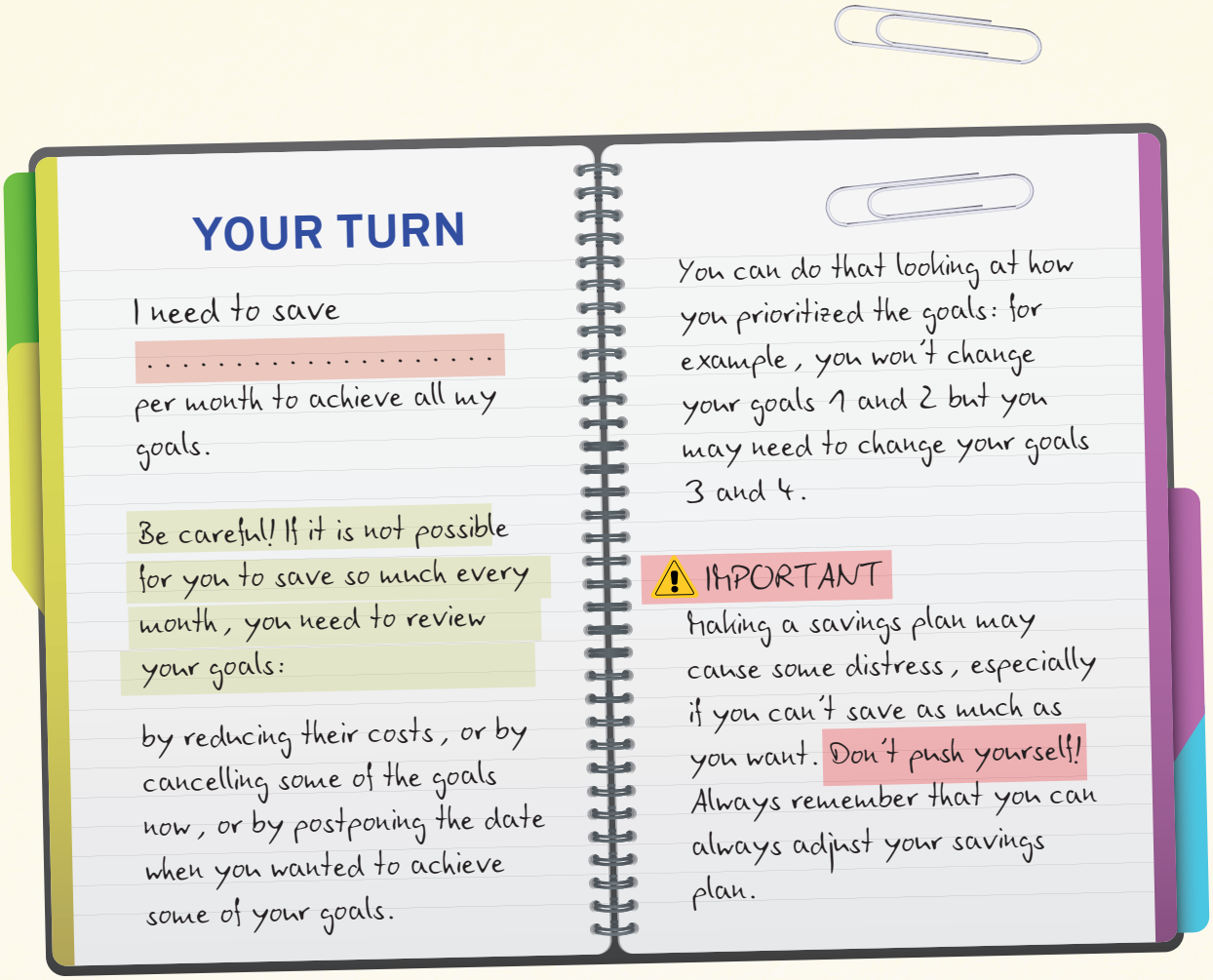
Now it's your turn!

Now let's summarize and fill the table below with all the information you have thought of: goals, priority, costs, date when you want to achieve your goal(s), and other sources of financing.

▶ Training Aid

A1.2

MY SAVINGS PLAN					
My goals	Date by when I want to achieve my goals	Cost of achieving my goals	Number of months left to achieve my goals	Other sources of funding (optional)	How much I need to save each month to achieve my goals
My short-term goal(s) is/are:					
My long-term goal(s) is/are:					
The short-term goals I share with my family are:					
The long-term goals I share with my family are:					
Total amount I need to save every month to achieve all my goals (sum of the amounts in the right-hand column):					



KEY MESSAGES

- It is easier to achieve your life plans if you know what you want and set yourself precise goals to achieve them.
- Some goals can be achieved quickly; others take years or even decades. Goals need to be classified as short, medium or long-term.
- People's goals change in the course of their lives and different family members will have different goals. It is important to make family members' different goals compatible with each other.
- Good communication is desirable in all families, especially in families with relatives living in a distant town, region or country.
- Defining one's goals and making the difference between myth and reality in setting goals makes it easier to reach them.
- It is important to seek reliable information in assessing the value and cost of achieving your goals.
- You also need to be able to readjust your goals if they are too costly, and to be flexible in doing so (in the event of a change in your financial or social circumstances).
- Keeping your goals in mind is a sure way to achieve success.
- Making a savings plan helps you to achieve them more easily.

4. TALK TO YOUR FAMILY ABOUT YOUR GOALS!

ADVICE TO DISCUSS YOUR GOALS WITH YOUR FAMILY

- Think well about what you want (and the reasons why you want it) before you talk to your family.
- Don't be afraid to talk about your goals. All men and women – young or old – have a right to set their own goals.
- Find allies in your family: persons to whom you would have talked before and who could support you, persons who are respected in the family.
- To talk about your goals to your spouse and/or other family members, choose the right time, set a time when they are available.
- Be confident when you talk about your goals and listen to the opinions of the other people without interruption.
- Be respectful to your family members and flexible on your position.
- If there is a disagreement, examine the issue and look for compromise solutions that will benefit everyone in the family.

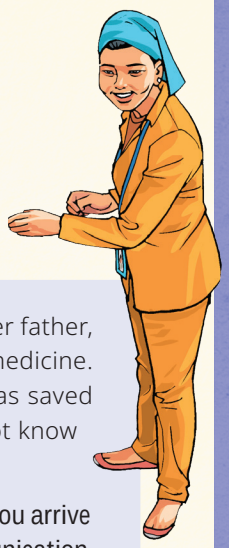
DO...	DON'T
• Be self-confident	• Show impatience
• State clearly what you want	• Be passive or arrogant
• Listen to your partner	• Shout
• Acknowledge the other person's point of view	• Interrupt
• Show respect	• Get angry
• Be flexible and calm	• Be vulgar or insulting
• State your opinion, even though you owe the other person respect	• Repeat the same point several times
	• Immediately reject the other person's ideas
	• Adopt a defensive posture



IMPORTANT: Talking about money can trigger a lot of emotions. Try to find someone you trust to talk about this. Not talking about your emotions have a negative effect on your mental health.

TRAINING AID A2.1

Role-play activity: conflict and negotiation



CONFLICT 1

Sopheap has managed to set aside some personal savings. She is speaking on the phone with her father, who asks her if she could lend some money to Sopheap's aunt who needs to buy expensive medicine. Sopheap does not want to lend her money because she thinks she needs all the money she has saved for the day she goes back home. She does not want to say no to her father's sister and does not know what to do. What should she do?



Work out a role-play showing the interaction between the people described and the solution you arrive at. At least one of the characters in your role-play must try to apply the rules for effective communication.

CONFLICT 2

Boran is having lunch at the canteen with Say, one of his colleagues. Boran tells him that yesterday he had a discussion with his wife Chenda regarding the birthday celebration of their elder son. Chenda wants to run a big birthday party and asked Boran to send extra money, as Chhay was turning 10. Boran wants Chhay to have a great party but he believes the amount Say pushing for is too much. He is afraid that if he refuses, his wife and family will think he is greedy, especially because he is the one earning more money in the family. What should he do?

Work out a role-play showing the interaction between the people described and the solution you arrive at. At least one of the characters in your role-play must try to apply the rules for effective communication.



CONFLICT 3

Nary always puts money aside to achieve her objectives. Her brother insistently asked her if she could give him some money to buy new clothes, as it has been a long time since he bought a new pair of pants. Nary would love to help her brother but also thinks she should save as much as possible. What should she do?

Work out a role-play showing the interaction between the people described and the solution you arrive at. At least one of the characters in your role-play must try to apply the rules for effective communication.



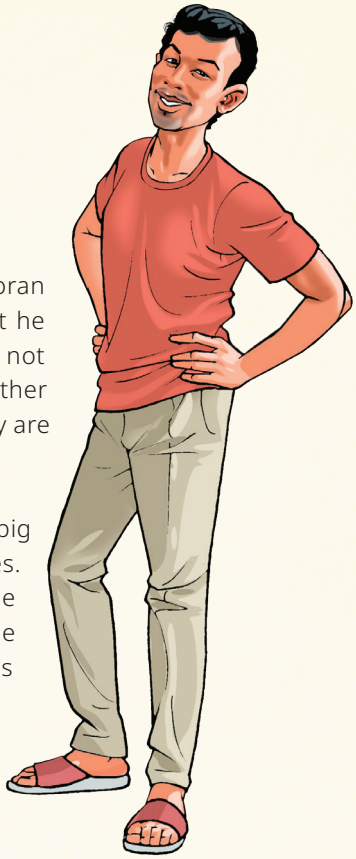
CONFLICT 4

Raksa works very hard as quality controller in a garment factory. Every month she gives some money to her parents, telling them to save some of it for emergencies. When her mother falls ill, her father admits that he has not put anything aside and he has nothing left. She is very disappointed and angry. What should she do?

Work out a role-play showing the interaction between the people described and the solution you arrive at. At least one of the characters in your role-play must try to apply the rules for effective communication.

Case Study N°3

BORAN DRINKS A TEA WITH HIS COLLEAGUE SAY



While drinking tea with his friend and colleague Say in the canteen, Boran says that he decided to explain his line manager at the factory that he is not happy with the few extra hours they are giving to him. He is not able to send home as much money as he wants and is looking for other options. It was difficult to tell his wife Chenda of this situation, as they are really expecting more money at home, but she understood.

Say, for his part, shared with him that his family is also facing big problems at home as they run into some unexpected expenses. However, instead of speaking with them about the few extra hours, he decided to borrow money from one person at the factory to be able to send more money home. He explained that he had to reduce his personal expenses to a minimum to be able to repay this new debt.

Even after reducing all his personal expenses, he sometimes faces problems to repay this small loan. This situation weighs heavily on him and he is looking for a solution.

NOTES



5. DECIDE IF MIGRATING IS THE RIGHT CHOICE FOR YOU

Case Study N°4

SOPHEAP'S MOTHER VIEW ON HER DAUGHTER'S MIGRATION

I am Sopheap's mother. She is my eldest daughter. When she migrated to work to the factories about 2 years ago, I was happy that she got the opportunity that some other women from the village had before. However, I was sad that my daughter was going to live far away from home and her children. Although she sends us money every month for our upkeep and care and this has been very useful in ensuring that we always have three square meals on our table. This has also helped us in buying material to finish building our house here. In terms of our finances, Sopheap's decision to migrate has been a blessing.

Since my daughter left, I have less help at home to run all the errands plus I have a lot of work with her children, as Sothea, my son-in-law, sometimes must work long hours. Her presence also gave all of us so much comfort, also when we needed to make some family decisions. I miss her very much.

I am happy that she is working there now and that she can have this experience that so many women here pursue. However, I would really like her to be here with her husband and her kids, and to have grandchildren.

⚠ ATTENTION: **People often think about the advantages of migrating only. But, migrating also has some disadvantages.**

Advantages and disadvantages of migrating (From the migrants' point of view)

Advantages	Disadvantages
• Earning more money. • Being able to support the family by meeting basic expenses: food, health care, education, electricity... • Learning new skills. • Doing new jobs and gaining experience of life. • Having a sense of freedom and independence. • Saving for the future.	• Migrating may mean contracting a debt that will be difficult to pay back. • Finding a job in another city may take time. • The high cost of living in other destination. • Family expectations that you will earn a lot of money. • Loneliness and isolation. • Social stigmatization when you return.

KEY MESSAGES

- People decide to migrate for multiple reasons: make more money, have a different experience, study, acquire new skills, leave conflicts in their area.
- You need to understand the benefits of migration, that is, what you can achieve with it. You also need to analyse the disadvantages or costs, that is, what you and your family may lose due to migration.
- These advantages and disadvantages of migration can be linked to money but also to social and family relationships.
- A lot of false information is circulating on migration: unlike what people say, money is not collected on the ground anywhere, neither at home or in the big city!

6. CALCULATE THE FINANCIAL COSTS OF MIGRATING

Migration is expensive, but do you really know how much it costs to migrate? Can you distinguish between different costs?



TRAINING AID A3.1

Detailed analysis of the financial costs of migrating



I am thinking of migrating: .....

.....

.....

Destination: .....

	WHAT WILL IT COST?	HOW SHALL I PAY?
Preparatory costs		
Costs during the journey		
Cost in the town or country I am going to		
Costs upon return		
Costs for my family back home		
Total cost of migrating		

EMOTIONAL COSTS

Some costs are not necessarily linked to money but more associated with our emotions and feelings.

Some of the emotional costs lined to migration to take into account are:

- Family cohesion might be broken
- The family may be afraid or ashamed that the relative living outside their hometown will live a life not in accordance to traditional values
- The migrant might experience loneliness and isolation

 IMPORTANT: **It is very important to weigh up the costs and benefits, for yourself and your family, before taking the decision to migrate.**



KEY MESSAGES

- This table is an important tool that you and your family can use to work out how much it would cost to migrate.
- If you know the cost, you are better placed to assess whether the advantages of migrating outweigh the disadvantages, and whether it would be beneficial for a family member to go and work elsewhere (or for an internal migrant to come back home).
- Remember that it is difficult to know exactly how much it would cost for a worker to migrate. To make as accurate an assessment as possible, and for a true picture of the possibilities and drawbacks of going to live and work elsewhere, families can seek information from various sources: public agencies, trade unions, NGOs and returned migrants.
- Don't listen to everything people say about migrating; there are a lot of tall stories and sometimes people don't tell the whole truth because they want to protect themselves. Contrary to rumour, the streets are not paved with gold, neither at home nor in the big city!



B

MANAGE YOUR INCOME SMARTLY

FINANCIAL EDUCATION QUIZ

B1. It is the end of the month; I've just received my salary:

- ☐ **a.** I rush to the market to buy this nice jacket I saw the other day.
- ☐ **b.** I set aside a part of my salary to achieve my goals.
- ☐ **c.** I buy a big present for my best friend's birthday.

B2. A budget is:

- ☐ **a.** A tool to decide, plan and use your money to achieve your goals.
- ☐ **b.** A sheet to record expenditures.
- ☐ **c.** A table.

B3. What is an employment contract?

- ☐ **a.** A note given to employees that details how much they will be paid and other allowances.
- ☐ **b.** A legal agreement between employer and work that specifies the duties, responsabilities and benefits for both parties.
- ☐ **c.** An informal letter that an employee receives before starting a new job confirming the conditions of his/her next employment.

B4. What are the three main parts of a budget?

- ☐ **a.** The date, the income and the expenditures.
- ☐ **b.** The income, the expenditures and the savings.
- ☐ **c.** The expenditures, the income and the signature.

B5. How shall I do to follow my budget?

- ☐ **a.** I have so many obligations that it is impossible to follow my budget.
- ☐ **b.** I don't do any budget because I believe in fate.
- ☐ **c.** I use tracking sheets to record my expenditures and income.

B6. Which one of the following items is not an advantage of receiving a digital wage?

- ☐ **a.** It is safer because there is a reduced risk of money loss.
- ☐ **b.** It is faster because as you do not need to queue to get your wage.
- ☐ **c.** As there might be low availability of ATMs it is easier to save money.

Answers: B1:b; B.2: b; B.3:a; B.4:b; B.5:c; B6.c

1. BE A SMART SPENDER!

QUESTIONS

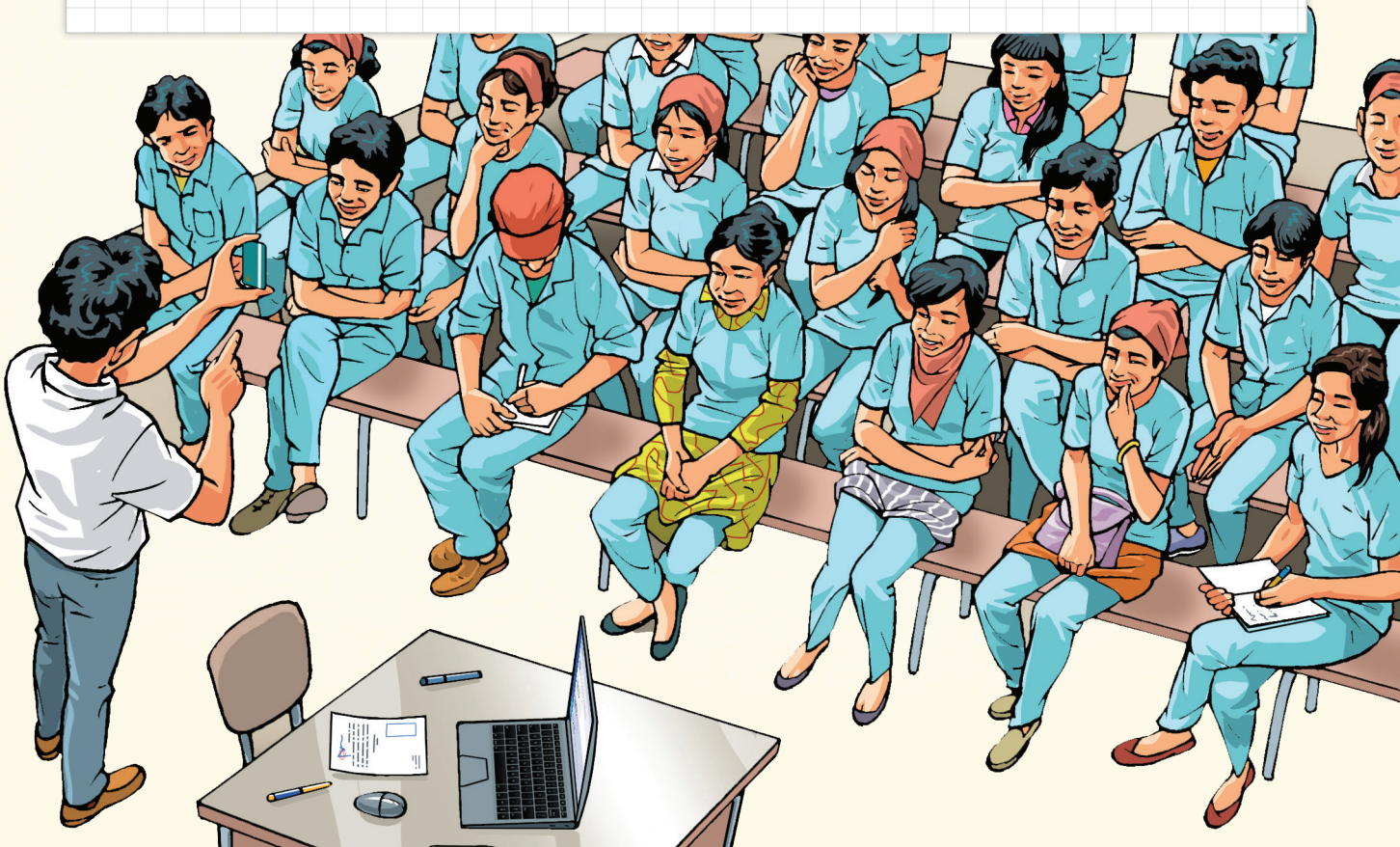
- Are you someone who likes spending or someone who likes saving?
- For example, do you often give up on things that you want?

DEFINITION

Saving means not spending all your money and setting aside a part for a specific goal in the future. It means setting aside small or large sums of money, regularly or from time to time.

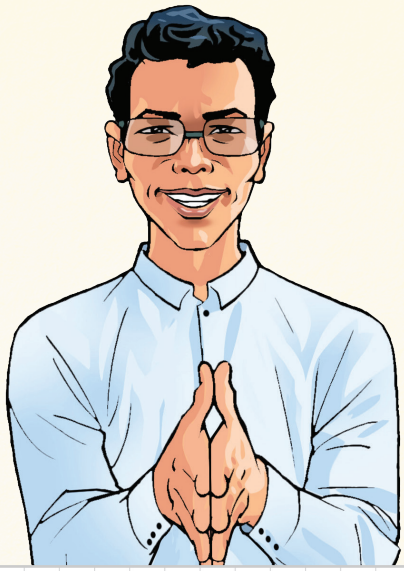
EXERCISE

According to your own situation, choose between necessary expenses (we call them needs) and optional expenses (we call them wants)! Circle the images that correspond to needs for you to distinguish them from the wants.



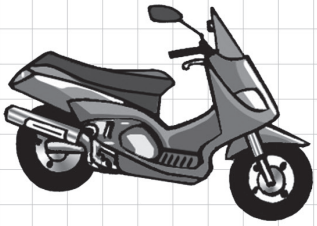
TRAINING AID B1.1

Wants and needs picture cards





Lottery ticket



Motorbike

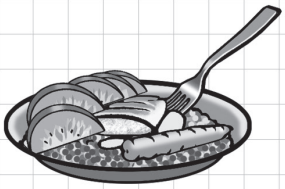


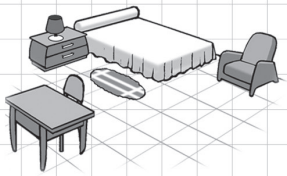
Plate of food



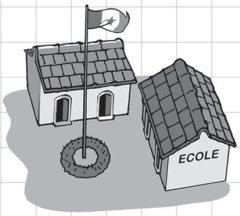
Loan repayment



Cash withdrawal



An apartment



School



Smartphone



Water



Sim card



Doctor's visit



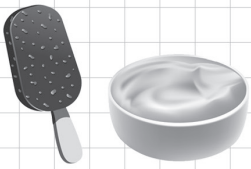
Electricity



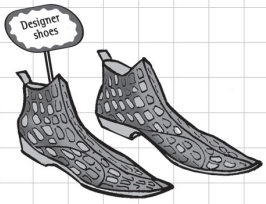
Soda can



Cinema ticket



Ice cream



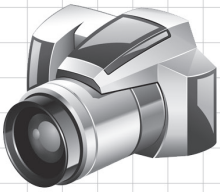
Expensive shoes



Cigarettes



Flat screen TV



Camera



Sound system



Make-up

I would like to buy...

My needs	How much does it cost?
Total needs	
My wants	**How much does it cost?**
Total wants	

ATTENTION!

Be careful! Sometimes, something can be a need for someone and a want for someone else. For example, a mobile phone, a person can need it for a business, while others might only use it to call his friends and family.

Do I have enough money to buy all the things I listed?

☐ Yes ☐ No

If I don't have enough money, I decide to give up the following wants:

NOTES

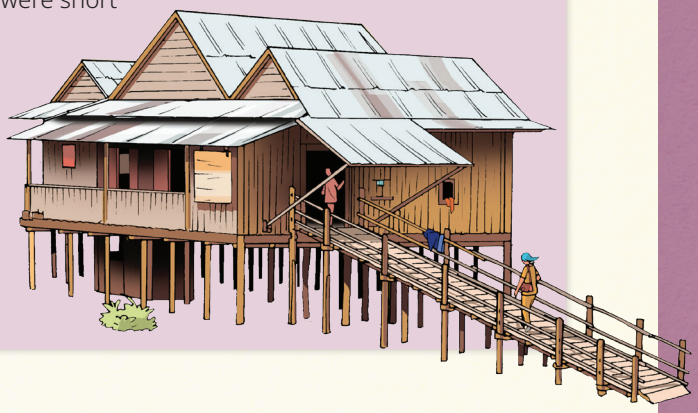
⚠ IMPORTANT: **You might spend to make yourself feel better. Some people describe this as feeling like a temporary high. But it will only do so for a short period of time. Be careful! If your budget is tight take a moment to always distinguish between needs and wants. Otherwise, not having later enough money for your needs can be really stressful for you.**

Read the stories of these characters and reflect about what is happening to them. What could have they done differently?

Case Study N°1

BORAN'S FAMILY FACES AN EMERGENCY BACK AT HOME

Boran works very hard as an operator at the warehouse in the factory. His wife Chenda works as a teacher back at a village in Preveng. They have 2 children and Boran is trying to go visit them next summer. They are thrifty but have little income available as they are still repaying some old debts. Last week, Chenda started feeling bad and so did their children. They could get the medicines in the local hospital but because they were worried and needed them urgently, she spoke with Boran on the phone and they decided to go to a nearby pharmacy and paid for them to get them fast. As it was end of the month and they were short of cash, they needed to borrow money from a neighbour.



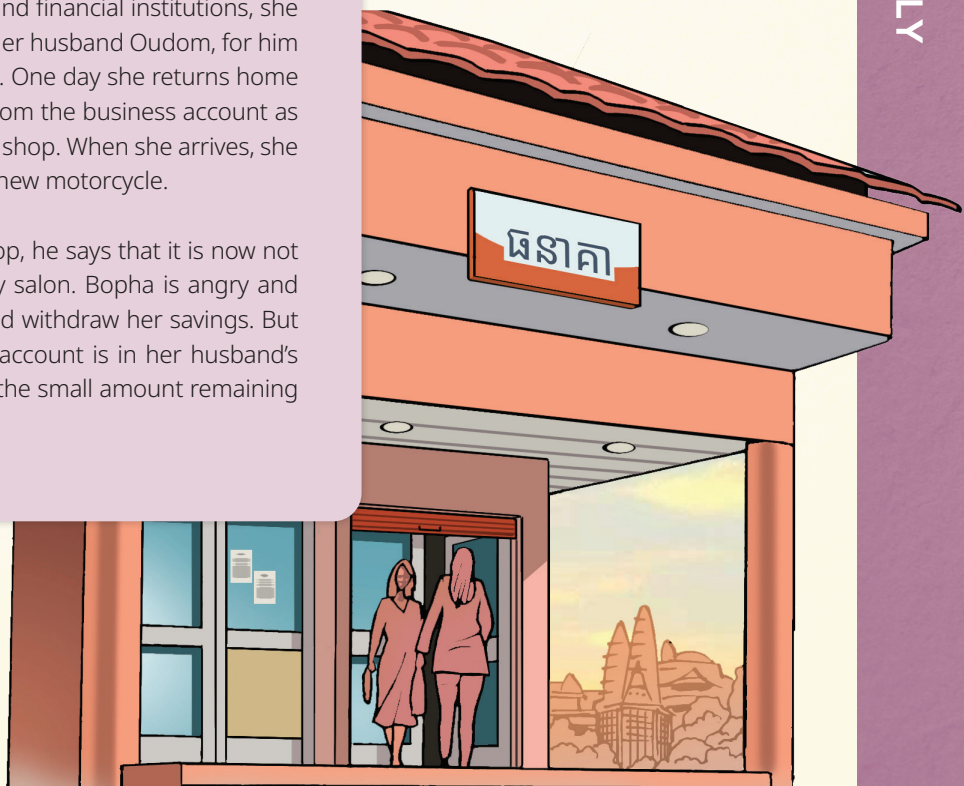
Boran will send money next week. The neighbour lent Chenda 5 USD and she agreed to pay him back 6 USD as soon as they receive Boran's remittances. She has used the money to buy the medicines from the pharmacy. They all recovered fast after taking the medicine.

Case Study N°2

BOPHA, NARY'S FRIEND, HAS A PROBLEM

Nary has a very close relationship with her neighbour Bopha. She owns a small beauty salon in a commercial street close to her house. Bopha's shop has been quite successful lately. She has learned to be disciplined with money and has been having some profits for quite some time now. As she does not understand financial institutions, she has regularly given part of her income to her husband Oudom, for him to deposit the money in the bank account. One day she returns home thinking of asking Oudom some money from the business account as she wanted to buy some new tools for her shop. When she arrives, she discovers that her husband has bought a new motorcycle.

When she requests the money for the shop, he says that it is now not possible to use the money for the beauty salon. Bopha is angry and goes to the bank to check her account and withdraw her savings. But when she arrives, she finds out that the account is in her husband's name and that she is unable to withdraw the small amount remaining in the account. She is very unhappy.



TIPS TO SAVE

- Set aside a bit of money every day or every week.
- Do not buy a new item if yours still works or if it can be repaired.
- Buy less presents for your family. Talk to them first and agree with them on your support.
- If possible, spend less on cultural or social ceremonies.
- Keep less cash in your wallet (and leave it in a safe place: at home, on a bank account...).
- If you send money to your parents or other family members, do not send all your money to them and keep part of it for your own needs and emergencies.
- Always keep in mind your long-term goals to remind you why you save!

KEY MESSAGES

- You need to be able to distinguish between essential and optional spending.
- Saving for an emergency: saving is essential, an absolute need.
- "Manage well what has been earned by others".
- Saving means giving up an immediate want to invest and achieve a goal in the future.
- Saving makes for security.

NOTES

2. UNDERSTAND YOUR WORK CONTRACT AND YOUR PAYSLIP

Understanding your work contract is very important. If you understand it, it can protect you. But if you sign a contract without reading it or knowing what it means you can end in a bad situation.

DEFINITION

Work contract: A (legal) agreement between employer and worker that specifies the duties and responsibilities and benefits for both parties.



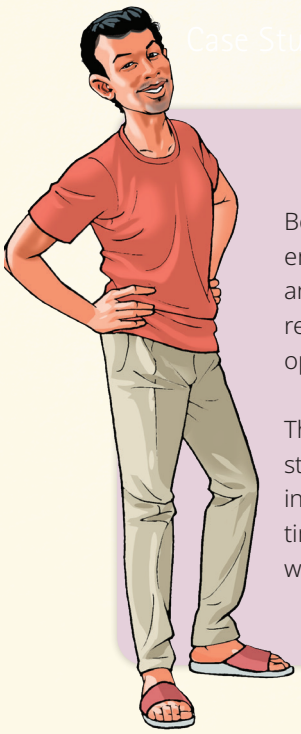
Case Study N°3

THE STORY OF CHANNA, SOPHEAP'S FRIEND

Channa, Sopheap's friend, lives in the village and just received the confirmation that she got a job from the same garment factory where Sopheap's work. She's happy as there were many people applying for the job. Channa did not really read the contract as the letters were very small and she did not have her glasses. Anyway, she was satisfied as she was told she will receive a similar salary as the other women from her village working at the factory.

After some months, she travels to the factory town. She starts working but she is very surprised to only receive half of her basic salary after 15 calendar days. She thought she was going to get paid half of all her pay, including the overtime she did during the first days and other allowances. She asks Sopheap, who explains to her that she is receiving is an advance payment and only covers half of the basic salary. She explains her that officially her salary of the first month is paid the first days of the following month, but the factory gives her as an advance half of her basic salary.

Channa is very surprised. She did not know this. She is worried because her family needs urgently money back home, but they will need to wait some more days until she gets paid the other half of her salary, plus overtime and allowances.



Case Study N°4

THE STORY OF BORAN

Boran is about to start his work at the warehouse of one factory. He knows that this position entails some risks when it comes to accidents, as they are usually dealing with cutting tools and heavy packages. At the on-boarding training Boran asked a lot of questions to the factory representatives, especially regarding availability of health care facilities within the factory, their opening times and if in case of serious accidents, workers were entitled to visit specialized clinics.

The factory representatives gave him reassurance that all of this is covered by the employer as stipulated by the Labour Law. They explained to him briefly all the coverage provided the state insurance. They also explained to him that in case of an injury or accident that would require time off, the workers are entitled to sick leave. Boran was pleased to see that all of this was also written on his contract.

TRAINING AID B2.1

Example of good employment contract

SUPER CLOTHES CAMBODIA INC.
INDUSTRIAL ZONE
PHNOM PENH

Photo 4x6

PERIOD CONTRACT

First Party

Employer: . . . . . .

Represented by Mr./Mrs.: . . . . . .

Address: . . . . . .

Telephone Number: . . . . . .

Second Party

Name: . . . . . .

Surname: . . . . . .

Sex: . . . . . .

Date of Birth: (day . . . . . /month . . . . . /year . . . . .)

ID No.: . . . . . .

Address: . . . . . .

Telephone Number: . . . . . .

1/3

HAS AGREED THE

Article 1:

The company does not pay for this application.

Article 2:

The company accepts to employ the worker for 3 months starting on .....,

In section:....., Position:.....

The position can be changed upon company's requirement.

Article 3:

The basic salary is agreed at ..... USD per month. All salary calculations shall be based on labour law, attached to this contract.

Article 4:

Obligation of tax on salary and other contributions is the responsibility of the employee. Contributions to NSSF will be done according to the Labour Law.

Article 5:

The worker shall undertake to perform his duties and responsibilities according to the nature of his work and under the supervision and management of the employer or someone on his behalf.

Article 6:

Employees working time is as follows:
Morning from 7.00am to 12.00pm
Lunch break from 12.01pm to 01.00pm
Afternoon from 01.01pm to 04.00pm
Overtime work is on a volunteer basis from 04.00pm to 06.00pm in case it is required by the company.
One day off per week is entitled under this agreement.

Article 7:

The employer shall provide other benefits to the employees, as below:

- Attendance bonus of ____ USD for employees who enter work on time
- Seniority bonus accordance to the Labour Law
- Free transportation to private address if overtime hours finish after 9.00pm
- Food allowance for overtime work at a rate of ____ KHR per overtime shift
- Paid sick leave when a valid doctor certificate is presented as proof
- Maternity leave of __ days, with half pay including all allowances if worker has been employed for more than 1 year.
- Breastfeeding time of at least 1 hour during working time until baby is 1 year old
- A total of ___ annual paid leave days
- Treatment and medical services for free for workers during working time in case of medical need
- Days off in national holidays

Article 8:
The provisions of the Social Security Law and its amendments, and the regulations and instructions issued pursuant thereto, shall be applied in accordance with the Labour Law.

Article 9:
Employees shall return all things that belong to the company at the time of resigning or dismissal

Article 10:
When this contract expires the Employer must pay the employee the benefits determined by the Labour Law.

Article 11:
The employer shall pay the wage, bonuses, incentives, overtime, and any other entitlements that are part of the concept of wage (within not more than seven days of the date of entitlement) either in cash or through bank or electronic transfer as agreed on between the two parties.

Article 12:
Workers certify that all information provided in CV and application is accurate. The employer reserves the right to terminate the contract immediately if violation of any of these articles or violation of company's internal rules occur.

This contract comes into effect on _____ and expires on _____

Signature by Factory Representtive

Date . . . . . / . . . . . / . . . . . (day, month, year)

Signature by Employee

Date . . . . . / . . . . . / . . . . . (day, month, year)

3/3

Remember you can always:

- **Read the contract and ask a friend to help you understand complicated terms.**
- **Ask questions if you do not understand any part of your contract.**
- **Never sign a contract or any other document if you do not know what it states.**
- **Keep a copy of your contract in a safe place.**

TRAINING AID B2.2

Questions to understand your work contract

• What is the name of my employer?
• What is my employer's address?
• What is my employer's phone number?
• What are my daily duties?
• Who is my boss?
• How long will I work here?
• How often will I be paid? Weekly? Monthly?
• Will I be paid on the same day each time?
• Will I get written record of each payment?
• Will I be paid in cash or will the money be deposited in a bank account?
• If I work overtime, will I be paid extra? How much?
• Am I expected to pay any deductions to my employer? How much?
• How many hours a day will I work?
• What time do I start and end each day?
• When is my day off?
• How many days of holiday will I be given each year?
• Will I receive safety training?
• Will my employer offer health and accident insurance?
• If I become pregnant will my employer let me continue working and provide maternity protection benefits?

ATTENTION: Remember that you can always ask questions to your future employer and seek advice from trade unions and other workers. Before signing the contract, they may be able to help you understand the terms and conditions of the contract. Later, if you face a problem with your employer, your trade union representative can assist you to resolve it.

DEFINITION

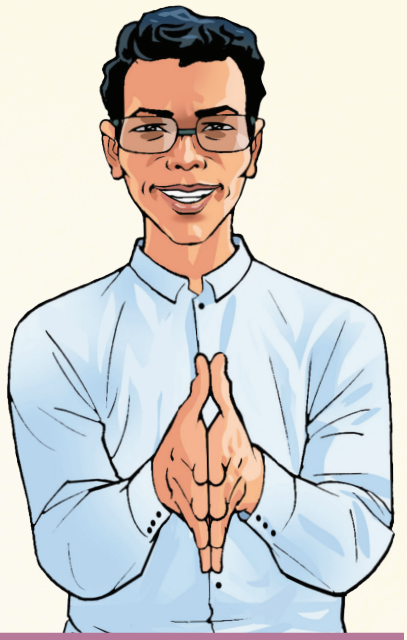
A payslip is a note given to employees when they have been paid, detailing the amount of pay and other allowances given and the amounts of deductions (tax, insurance, salary advance, etcs.)

Key information in a payslip

General information	Payments	Deductions
• Company's name and address • Employee's name and address • Employee's number • Month and year • Employee's bank account number (for bank transfer) • National insurance number • Payment method (cash or bank transfer)	• Basic Salary • Number of hours and amount • Number of overtime (OT) hours and amount • Food Allowance • Bonus • Incentive • Transportation • Seniority • Gross Pay	• Social insurance • Health insurance • Income tax • Trade union contribution • Loan repayment • Salary advance

TRAINING AID B.2.3

Example of a payslip



Company's name:

Employee's number		Employer's name		Date Period covered	ID of NSSF
Department		**Section**		**Position**	**Employee since**
Payment	**Unit**	**Rate**	**Amount (USD)**	**Deduction**	**Amount (USD)**
Basic salary				Social insurance	
Overtime				Health insurance	
Bonus				Income tax	
Allowances				Loan repayment	
Children				Salary advance	
Food				Union contribution	
Housing					
Transportation					
Seniority					
Other					
GROSS PAY (USD)				**Total deductions**	
Employees' address				**NET PAY (USD)**	
Payment method					

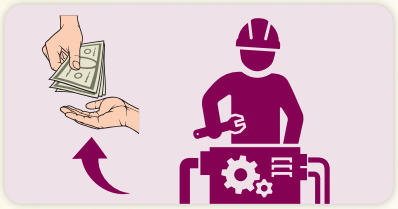
ATTENTION: Payslips are important documents that need to be kept in a safe place. The payslip shows that you have a regular income. You may be asked to show them when you apply for a loan or when you want to rent an apartment or house.

3. CREATE YOUR BUDGET!

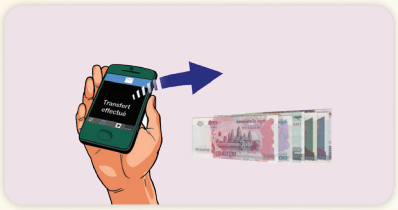
TRAINING AID B.3.1

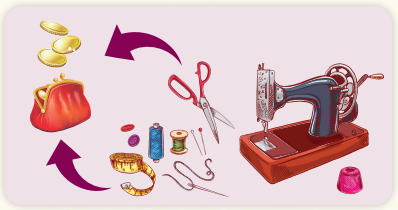
Images for budgeting
(for groups with poor literacy skills)

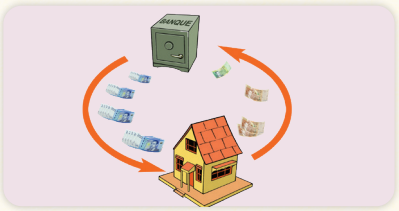


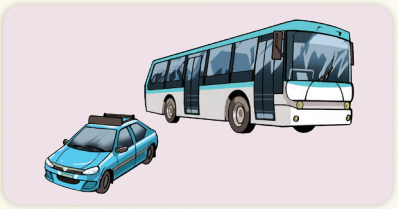


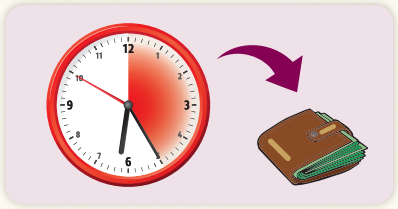




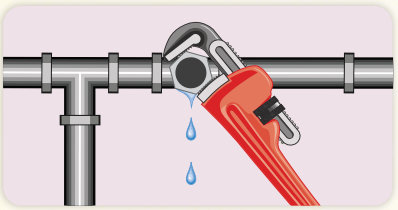














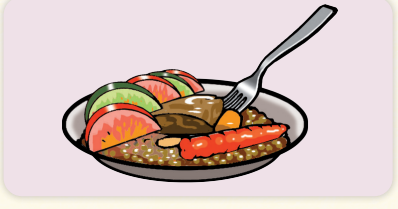


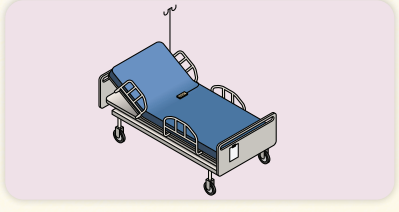












TRAINING AID B.3.2

Character's family empty budget



Let's get to know a bit more about Sopheap and how she creates her budget.

SOPHEAP'S FAMILY EMPTY BUDGET

SOURCES OF INCOME	Amount
Fixed income	
Sopheap's income contribution to her family	
Sub-total fixed income	
Variable income	
Sopheap's father income	
Sothea's income	
Sopheap's sister income	
Sub-total variable income	
TOTAL INCOME	

EXPENSES	
Essential expenses (needs)	
Food and toiletries	
Transport	
Health related expenses	
Pre-paid phones	
Loan repayment	
Sub-total (needs)	
Optional expenses (wants)	
Money for buying material for the house building	
Clothes	
Sub-total (wants)	
TOTAL EXPENSES	

TOTAL EXPENSES	
INCOME-EXPENSES	





Case Study N°5

SOPHEAP'S FAMILY BUDGET – PART 1

Yesterday was the last day of the month and Sopheap decided to review how she will use her income this month. Like every month, her net salary was 250 USD. Like previous months, Sopheap decided to contribute 130 USD to the family expenses back in the village, and kept 120 USD for herself, for her personal budget.

According to her family in the village, this month, they will also count the following amounts in their income: 80 USD for each her father and Sothea as agricultural daily labourers and 40 USD her sister earned selling products in the market.

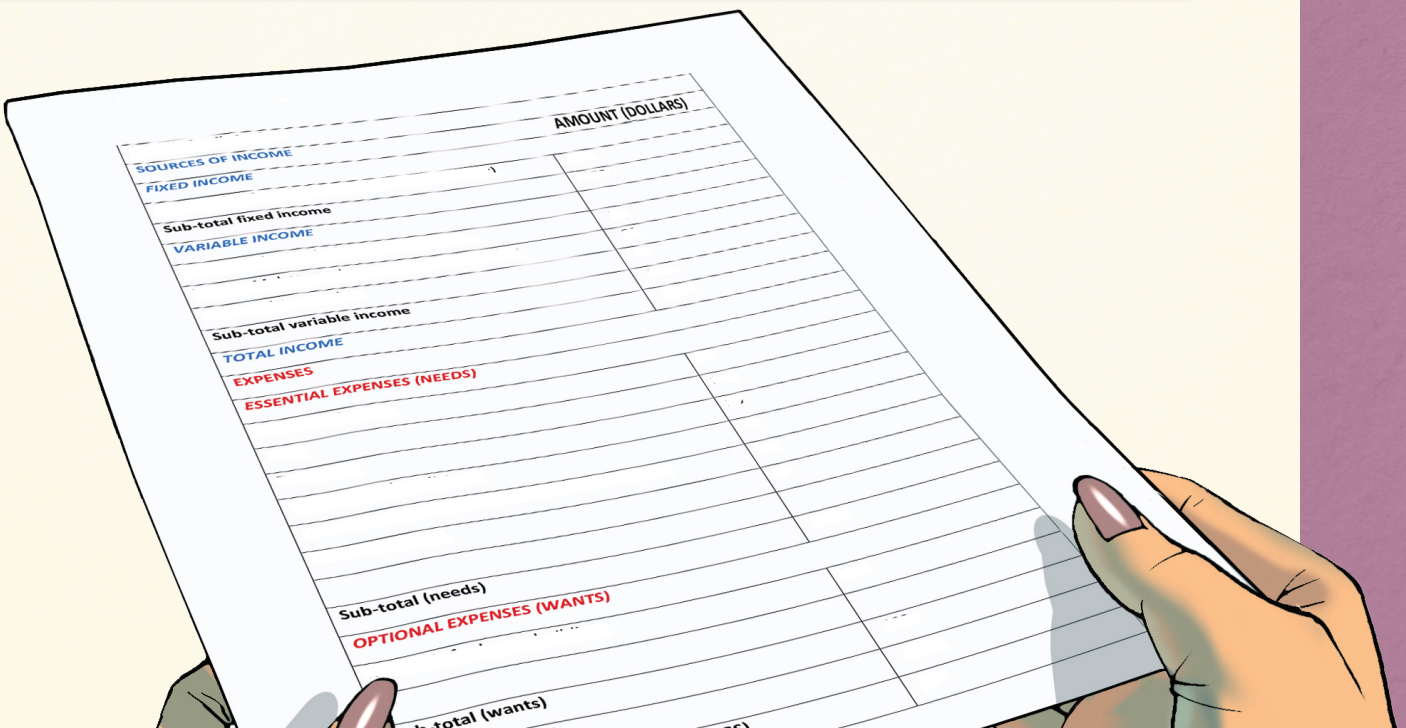
Case Study N°6

SOPHEAP'S FAMILY BUDGET – PART 2

When Sopheap and her family back home have reviewed their income for the following month, they begin to plan how they will spend the money. They don't have to pay rent as they own the little house where they live now. For energy and water, they plan to spend 15 USD.

For food and toiletries, they estimate 120 USD, for transport 20 USD and for health-related expenses 20 USD. Their pre-paid cell phones charge comes to around 5 USD per phone. As they have a total of 3 phones in the house, this would be 15 USD in total. They will spend 30 USD for the repayment of a loan they took to buy a bicycle. Every month they set aside 20 USD to continue expanding their house. They use this money to buy materials. They also plan to spend around 20 USD as everyone in the house needs some new t-shirts.

After sending 130 USD to her family, Sopheap keeps 120 USD of her income for her expenses where she lives. This month she calculates her personal expenses for the following month: 45 USD for food, 20 USD for rent with utilities, 5 USD for data bundles for her phone, 10 USD for extra expenses, including money transfer operator fees. She also keeps 20 USD for expenses she might want to do on her free days. She tries to save 20 USD every month and she keeps this money in a little box in her room.





TRAINING AID B.3.3

Character's family budget

SOPHEAP'S FAMILY BUDGET

SOURCES OF INCOME	Amount (USD)
Fixed income	
Sopheap's income contribution to her family	130 USD
Sub-total fixed income	**130 USD**
Variable income	
Sopheap's father income	80 USD
Sothea's income	80 USD
Sopheap's sister income	40 USD
Sub-total variable income	**200 USD**
TOTAL INCOME	**330 USD**

EXPENSES	
Essential expenses (needs)	
Food and toiletries	120 USD
Energy and water	15 USD
Transport	20 USD
Health related expenses	20 USD
Pre-paid phones	15 USD
Loan repayment	30 USD
Sub-total (needs)	**220 USD**
Optional expenses (wants)	
Money for buying material for the house building	50 USD
Clothes	20 USD
Sub-total (wants)	**70 USD**
TOTAL EXPENSES	**290 USD**

INCOME MINUS EXPENSES (SAVINGS)	**40 USD**

TRAINING AID B.3.4

Character's personal budget



SOPHEAP'S PERSONAL BUDGET

SOURCES OF INCOME	Amount (USD)
Fixed income	
Salary from the factory	250 USD
Sub-total fixed income	**250 USD**
Variable income	
Sub-total variable income	0
TOTAL INCOME	**250 USD**

EXPENSES	
Essential expenses (needs)	
Contribution to the family budget	130 USD
Rent with utilities	20 USD
Food and toiletries	45 USD
Phone	5 USD
Extra expenses	10 USD
Sub-total (needs)	**210 USD**
Optional expenses (wants)	
Expenses on free days	20 USD
Sub-total (wants)	**20 USD**
TOTAL EXPENSES	**230 USD**

INCOME MINUS EXPENSES (SAVINGS)	**20 USD**

QUESTIONS

- Have you already created a budget?

☐ Yes ☐ No

- If yes, have you written it down or only kept it in mind?

☐ Written down ☐ Kept in mind

DEFINITION

A budget is a tool to decide, to plan and to use your money to achieve your goals.

⚠ IMPORTANT: **If you are not doing well or you feel a bit sad at the moment, creating a budget can be an overwhelming task to do. Talk about how you feel with your loved ones or someone you trust and try to find support to start doing your budget little by little. Do not put a lot of pressure on you!**

EXERCISE

You have seen during the training how Sopheap and her family create their budget. Now it is your turn! Create your own budget!

Be careful! The line « Income – expenditures » at the bottom of the table must be positive. If it is not, it means that you don't have enough income and not enough money for all your expenses. It also means that you don't have any money to save to achieve your goals.

If you're forecasting big expenses in a few months, start saving some money anytime you can, so that you can afford these big expenses and stay within your budget.



TRAINING AID B.3.5

My budget

MY BUDGET

SOURCES OF INCOME	Amount
Fixed income	
Sub-total fixed income	
Variable income	
Sub-total variable income	
TOTAL INCOME	

EXPENSES	
Essential expenses (needs)	
Energy and water	
Food and toiletries	
Transport	
Health care / medicines	
Communication (telephone credit and internet)	
Loan repayment	
Rent	
Sub-total (needs)	
Optional expenses (wants)	
Sub-total (wants)	
TOTAL EXPENSES	

INCOME MINUS EXPENSES (SAVINGS)	

Let's continue with Sopheap's case



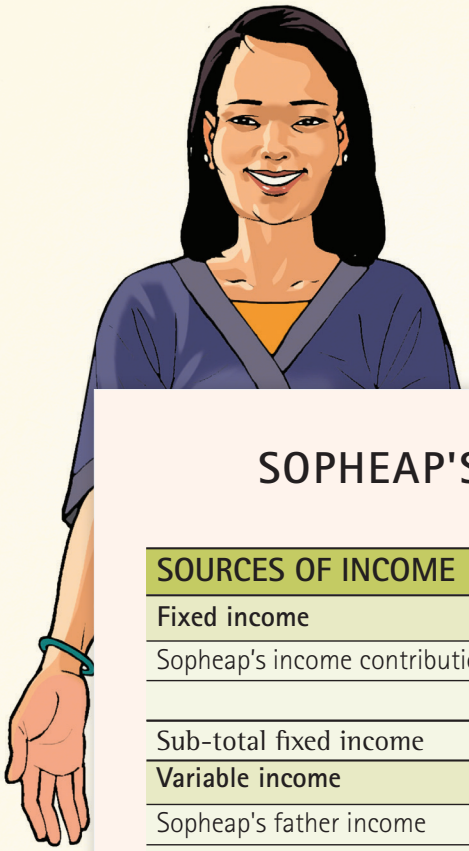
Case Study N°7

SOPHEAP´S FAMILY BUDGET (PART 3)

It seems Sopheap's family is facing some issues. Even though they carefully planned their budget, this month things are not looking good. Sopheap's contribution to the family budget remained the same, but the variable sources of income changed. Both Sothea and Sopheap's father were not hired as many days as promised due to problems in the farm. They both had an income of 60 USD. Sopheap's sister income got hit by COVID-19 restrictions, so she could only make 20 USD, as the market was closed for half of the month, due to positive cases.

Also, due to inflation, this month their expenses increased. Their energy and water bills increased to 20 USD. On top of that, their food and toiletries expenses also increased to 150 USD, due to shortages and increased prices, and also because they stayed more time at home.

NOTES



TRAINING AID B.3.6

Character's adjusted budget

SOPHEAP'S FAMILY ADJUSTED BUDGET

SOURCES OF INCOME	Amount (USD)
Fixed income	
Sopheap's income contribution to her family	130 USD
Sub-total fixed income	**130 USD**
Variable income	
Sopheap's father income	60 USD
Sopheap's income	60 USD
Sopheap's sister income	20 USD
Sub-total variable income	**140 USD**
TOTAL INCOME	**270 USD**

EXPENSES	
Essential expenses (needs)	
Food and toiletries	150 USD
Energy and water	20 USD
Transport	20 USD
Health related expenses	20 USD
Pre-paid phones	15 USD
Loan repayment	30 USD
Sub-total (needs)	**255 USD**
Optional expenses (wants)	
Money for buying material for the house building	50 USD
Clothes	20 USD
Sub-total (wants)	**70 USD**
TOTAL EXPENSES	**325 USD**

INCOME MINUS EXPENSES (SAVINGS)	**-55 USD**

KEY MESSAGES

- There is a tool used to manage your income – a budget.
- To create your budget, you need to calculate your income and expenses. With this calculation, you can define your savings capacity, meaning how much you can set aside each month.
- In case of emergencies or changes in your financial situation, you will have to adjust your budget to be able to cover all your expenses and save for your goals.
- A budget can help you to decide how to spend your money and save to reach your goals.



4.

KEEP TRACK OF AND STAY WITHIN YOUR BUDGET

Case Study N°8

SOPHEAP'S BUDGET MANAGEMENT

Last month Sopheap explained again to her husband and parents how much money she would send them. Yesterday, Sopheap received a phone call from her husband: he asked her to send more money because they need to pay the school fees. He said that they had more expenses in the last months, because were hit they were hit by a big storm and the roof of their house needed to be repaired. Sopheap hesitated: she remembered that she had already sent her family the amount allowed for in their budget and that the money sent should be enough for the school fees and unexpected expenditures like the roof repair. She was unsure whether to send them more money as this would mean to use most of her personal savings.

She spoke with her family and told them to use the savings they have accumulated there because she could not send more money this time.





Case Study N°9

NARY'S BUDGET MANAGEMENT

Last month Nary realized that her budget was very tight, and she should always keep an eye on her expenditures. Yesterday, Nary received a phone call from her cousin Rotha. She asked to borrow some money as she had many debts because of appliances she bought under a buy now – pay later scheme. Nary hesitated: she remembered that she had no spare money in her budget as she also had some debts to pay off and a lot of expenses. While thinking about this she remembered her cousin had helped her so many times that she could not refuse. Later that week, Nary's phone started having problems. Nary did not have enough money to repair it and Rotha still did not have the money to pay her back. Nary had to borrow money from her friend Bopha.

QUESTIONS

- What did Sopheap do to stay within her budget?

There are many ways to make sure you stay within your budget. You can use a spreadsheet, like Sopheap, or an app, like a lot of people are starting to use!

Let's get to know a way to stay within your budget.

IMPORTANT: Routines can be good for maintaining good mental health when things are not going great. Keeping track of your budget can be a good exercise to focus and check how you are doing in terms of staying within your budget.

NOTES

TRAINING AID B.4.1

Income tracking sheet

INCOME TRACKING SHEET

Name:

Month:

Year:

DATE	DESCRIPTION OF SOURCE OF INCOME	AMOUNT OF INCOME

TRAINING AID B.4.2

Expense tracking sheet

EXPENSE TRACKING SHEET

Name: _____

Month: _____

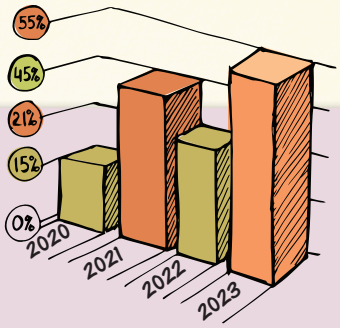
Year:

DATE	DESCRIPTION OF EXPENSE ITEM	AMOUNT SPENT	PLANNED OR UNPLANNED	
			YES	NO
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
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			☐	☐

TOTAL EXPENSES	
TOTAL INCOME	
SAVINGS (= INCOME – EXPENSES)	

TIPS TO STAY WITHIN YOUR BUDGET

- Remind yourself often of what you planned to spend.
- Put in the budget something for unexpected spending needs.
- Keep savings out of reach so you do not spend them.
- Keep track of what you spend.
- Make sure you do not spend more than is budgeted.
- If you spend more on one item, spend less on something else.
- Make a list of ways to cut planned expenses.
- Get the family to participate in developing and sticking to the budget.





TRAINING AID B.4.3

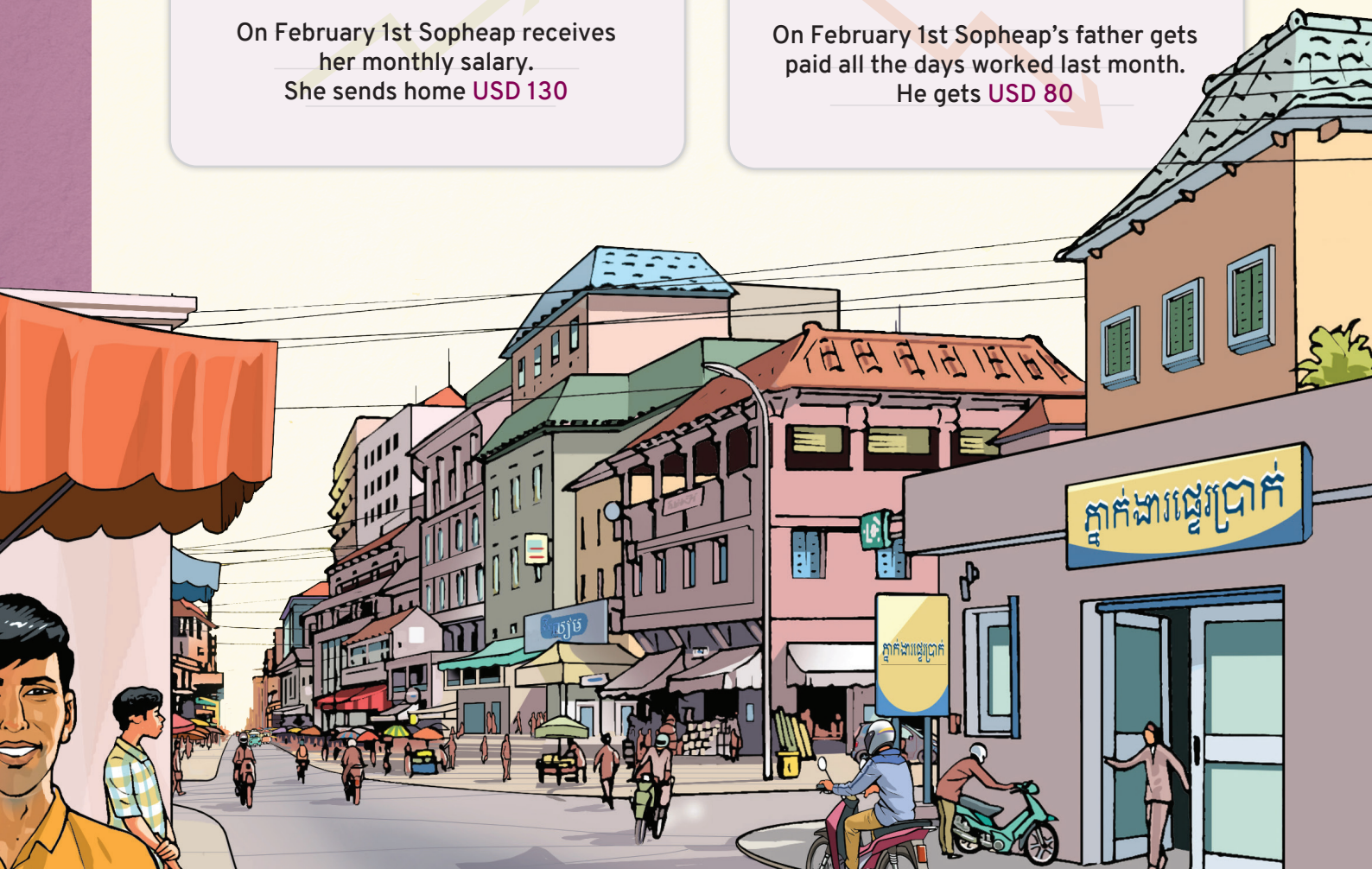
Transaction Cards
Character's family

SOPHEAP'S FAMILY

On February 1st Sopheap receives her monthly salary.
She sends home USD 130

SOPHEAP'S FAMILY

On February 1st Sopheap's father gets paid all the days worked last month.
He gets USD 80



SOPHEAP'S FAMILY

On February 1st Sothea gets paid all the days worked last month. He gets USD 80

SOPHEAP'S FAMILY

On February 1st Sopheap's sister checks how much money she made last month in the market. It is USD 40

SOPHEAP'S FAMILY

On February 1st, they pay the bill of USD 15 for energy and water.

SOPHEAP'S FAMILY

On February 1st they separate USD 120 in an envelope for food and toiletries expenses to be used throughout the month

SOPHEAP'S FAMILY

On February 2nd they separate USD 20 in an envelope for transport expenses

SOPHEAP'S FAMILY

On February 10th they had to pay USD 20 for medicines

SOPHEAP'S FAMILY

On February 12th they have to recharge their cell phones balance. It costs them USD 15

SOPHEAP'S FAMILY

On February 15th they pay back USD 30 for the loan they took to buy a bike

SOPHEAP'S FAMILY

On February 1st they spend USD 50 to buy materials for the home construction they are planning

SOPHEAP'S FAMILY

On February 15th Sopheap's family needs to repair the water heater for USD 20

EXERCISE

You can use the two above sheets called "Income and expense tracking sheets" to monitor income and expenses. Let's check what happened with Sopheap and her family.

INCOME TRACKING SHEETS

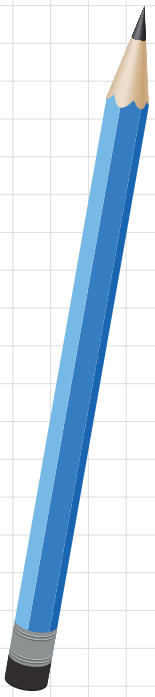
Name: Sopheap's family
Month: February
Year: 2023

DATE	DESCRIPTION	AMOUNT OF INCOME
1.2.23	Sopheap's father income	80
1.2.23	Sopheap's contribution	130
1.2.23	Sothea's income	80
1.2.23	Sopheap's sister income	40
TOTAL INCOME		330

EXPENSE TRACKING SHEET

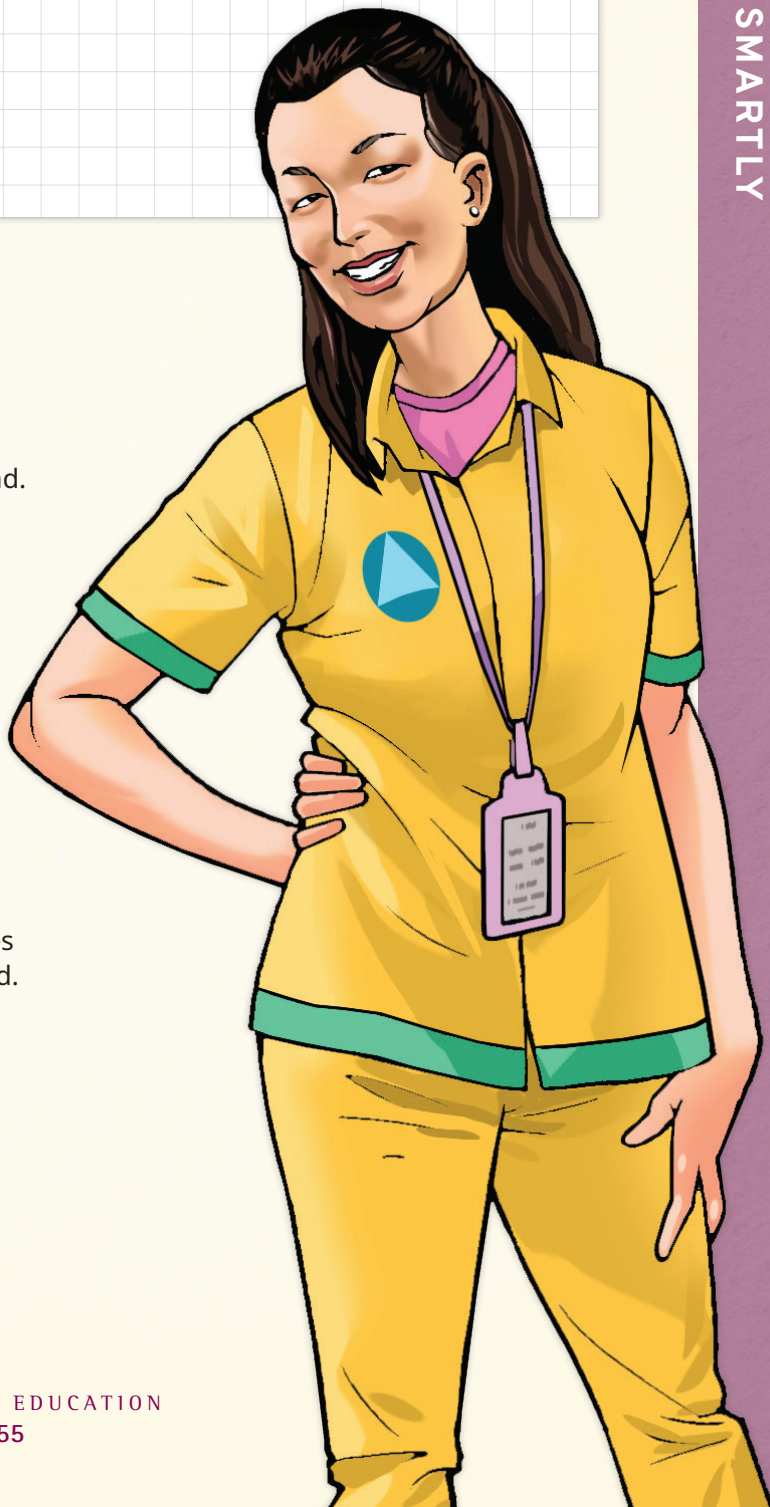
Name: Sopheap's family
Month: February
Year: 2023

DATE	DESCRIPTION OF EXPENSE ITEM	AMOUNT SPENT	PLANNED OR UNPLANNED	
			YES	NO
1.2.23	Energy and water	15	☒	☐
1.2.23	Food expenses	120	☒	☐
2.2.23	Transport	20	☒	☐
10.2.23	Medicines	20	☒	☐
12.2.23	Cell phones	15	☒	☐
15.2.23	Loan	30	☒	☐
15.2.23	Materials home construction	50	☒	☐
15.2.23	Repair water heater	20	☐	☒
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
TOTAL EXPENSES		290		
TOTAL INCOME		330		
SAVINGS (= INCOME - EXPENSES)		40		



Now it is your turn.

In Annexes and key documents at the end of this module you will find Income and Expense tracking sheets that you can use to track your own income and expenses. This way you'll stay within your budget and you'll ultimately reach your goals.



KEY MESSAGES

- Remind yourself often what you planned to spend.
- Put in the budget something for unexpected spending needs.
- Get the family to participate in developing and sticking to the budget.
- You need to know your total income. Knowing how much you earn is an important step to take control of your money and allows you to plan ahead for expenses. You also need to know the amount of your total expenses. It is important to control your budget. You can adjust your expenses when you see that you spent more than expected.

Be careful! **If you have irregular income, meaning that every month you earn a different amount, you can create your budget using an average income and then save when you earn more to balance the times when you earn less.**

5. KEEP YOUR FINANCIAL RECORDS



Case Study N°10

RANY THROWS SOME RECEIPTS

Raksa's colleague, Rany, is always borrowing from informal lenders. Despite Raksa's advice, she has debts with a lot of people. Raksa always tell her to keep track of her debts and write everything down. Rany says that she does not see the point of keeping papers and documents, as she has very good memory and remembers who she owes money to. Today Rany told Raksa that she is very angry with one lender, because he is telling her that her total debt is twice the real amount. When Raksa asks her if she has any signed document showing the amount of money she had borrowed, Rany tells her she has thrown all the papers. She is upset about not keeping these documents.



Case Study N°11

NARY CAN'T FIND SOME BILLS

Nary and her family pay the utility bills directly to the landlord, in cash. Usually, the landlord or one person that works with him stops by and collects this money at the beginning of the month.

Tonight, while they are having dinner, they receive a call from the landlord saying he will stop by tomorrow to collect the utility bills money. Nary's father tells him that his employee stopped by last week to collect this. The landlord say that is impossible, because the employee is no longer working for him since last month. He insists he will stop by the following day to pick up the money.

Nary and her family are very angry about the situation. Despite they are sure they have paid, they have no receipt or proof of payment. Now they will have to pay again. They have not made any special provision in their budget for this situation. Nary tells her family that tomorrow she will speak with the landlord and tell him they want to start paying this by direct transfer from her bank account. That way they will always have proof of payment.

⚠ IMPORTANT: **If you have a lot of worries you might feel that checking your bank account, digital wallet account or even reviewing your spending can be seen as an activity that will cause you more stress and discomfort. But remember: ignoring it or not thinking about money might make things worse in the future.**

6. RECEIVE, ACCESS AND USE YOUR WAGE SAFELY THROUGH DIGITAL MEANS

IMPORTANT

- As a worker, you should always have a say on the way your wage is paid, either cash or digitally unless:
  - there is a law in the country that stipulates the wage payment method or there is a collective bargaining agreement, i.e. an agreement between your employer and your trade union on that matter.
- If you are not sure what the situation is, make sure to speak with your employer, your trade union or workers' representatives on this regard.
- if your factory is already paying wages digitally or is considering to do it, you should also always have a say as whether you prefer to be paid to a bank account, a mobile money account, or a pre-paid card.
- If you already have an account or there are different providers, make sure to understand in detail the different conditions and fees they offer to be able to select the most convenient one. The extent to which your factory might cover some of these costs will depend on your employer. Feel confident to check with your employer!



Case Study N°12

ACCESSING THE WAGE PAID ON A MOBILE MONEY ACCOUNT

Boran	Hello Sombo, I know you work as an accountant in the factory. Can you tell me when I will receive my advance payment this month?
Sombo	Hello Boran, of course, all advances were actually paid this morning. But remember, you do not receive your wage in cash anymore. It was paid to your mobile money account.
Boran	Oh, I forgot that! How silly of me.
Sombo	It is okay, this is your first time receiving your wage that way.
Boran	Can you remind me how it works now to cash out some money?
Sombo	Yes, I can. The first thing you need is your phone.
Boran	Ok here is my phone. What should I do?
Sombo	First, check your messages on the mobile money app. I think you have downloaded it already and you should have received a message saying that you were paid.
Boran	Oh yes, I downloaded the app last week after the information meeting with the company here at the factory. Ah yes, you are right I see now that I have one message from the mobile money app saying that I received a payment. Now what do I do?
Sombo	You need to sign in to your mobile money app.
Boran	Okay, I have typed my pin into my mobile money app.
Sombo	Great, now you just need to press withdrawal and type in the amount you would like to withdraw from your mobile money account. Remember that you don't have to withdraw all your balance. It would be great if you withdraw only the amount that you need now and keep the rest safe in your digital account.
Boran	Okay, you are right. I will only withdraw the money I need for buying some food and toiletries. I have confirmed my withdrawal and I see that I just received another message from the app.
Sombo	That's great. Now after work you can take that message to a mobile money agent, you show them that message and they will give you your money.
Boran	Oh wow, is that easy? It is true that next to the factory there is a mobile money agent?
Sombo	Indeed. Because many of the workers are now getting paid digitally, the grocery shop next to the factory is also now a mobile money agent. You can easily withdraw your money there.
Boran	Excellent Sombo. This is good. Thanks a lot.

Case Study N°13

ACCESSING THE WAGE PAID ON A BANK ACCOUNT THROUGH AN ATM

Sopheap	Hello Vaani, I know you work as an accountant in the factory. Can you tell me when I receive my wage this month?
Vaani	Hello Sopheap, of course, all wages were paid this morning. But remember, you do not receive your wage in cash anymore. It was paid to your bank account.
Sopheap	Yes, I am aware of that. But I am a bit confused on how I get the money from the bank account.
Vaani	It is okay, this is normal when you start getting your hard-earned money in a different way.
Sopheap	Can you remind me first how I check if I already have the money on my bank account.
Vaani	Yes, I can. Without showing it to me, please open your bank application on your phone. Please log in.
Sopheap	Yes, I am there. Should I press on my account icon?
Vaani	Exactly, if you do so, you should be able to see your updated balance, with the money we have already transferred you.
Sopheap	Yes, you are right. I see the money on my account. Now I would like to withdraw it.
Vaani	For doing so, you will need your bank card and your pin-code. You received them last week, do you remember?
Sopheap	Yes, I had safely put them in my room. Should I ask one of my flatmates to help me with the withdrawal?
Vaani	Exactly, ask anyone living with you with experience with the ATM to go with you. Remember, do not share the PIN with anyone. Try to memorize it and take your card with you.
Sopheap	And where is the ATM? Here in the factory?
Vaani	No ATM is inside the factory. But our partner bank has opened one very close, next to the grocery shop in the corner. I am sure you can withdraw your money there. Remember, try to not withdraw all your balance, but only the money you need.
Sopheap	Thanks a million. Yes, I will only withdraw money for some expenses I have to do. I will do that as soon as I get my card later from my home.
Vaani	You are welcome. I hope it works out fine!

Advantages and disadvantages of getting access and using your digital wage

Advantages	Disadvantages
• Faster (no need to queue to receive wages) • Safer (reduce risks of loss, theft, etc) • Less pressure to give money to family/friends/ colleagues • Reduce temptation to spend on unnecessary items (withdraw only amount needed) • Easier to save • Might help in accessing other financial services (savings, credit, transfers, payments) • Provides proof of wage payment • Facilitates management of personal finances (easy access to financial records) • More accurate and timely payment	• Fees (to open and mantain accounts, cash out money, transfers) • Low availability of ATMs • ATMs not working properly (powercut, out of cash) • Queues at the ATM, agent or bank branch • Not possible to make digital payments near my home or workplace • Operating systems and customer service not available in my language

KEY MESSAGES

- When you are paid for your work digitally, you do not receive any wages in cash. It all goes into an account that you control. It is a safe way to receive your wage on time.
- Make sure to speak with your employer, your trade union or workers' representatives to understand your own situation regarding digital wage payment. Feel confident to check with your employer!
- If your factory is already paying wages digitally, you should also always have a say as whether you prefer to be paid to a bank account or a mobile money account.
- Getting paid digitally can have many advantages: it is fast, safe, it can make saving easier and might help you get access to other financial services. It can also have some disadvantages: fees, ATMS/cash agents availability and customer service availability in your own language.
- Dealing with formal financial institutions that offer digital financial accounts means that you are protected by rules and regulations that affect these institutions.
- Make sure you only withdraw from your account the money you need according to your budget. That way you are less likely to spend money on something that is not in your budget and to save more to get closer to your goals.

ANNEXES AND KEY DOCUMENTS

TRAINING AID B.4.1

Income tracking sheet

INCOME TRACKING SHEET

Name:

Month:

Year:

DATE	DESCRIPTION OF SOURCE OF INCOME	AMOUNT OF INCOME

TRAINING AID B.4.2

Expense tracking sheet

EXPENSE TRACKING SHEET

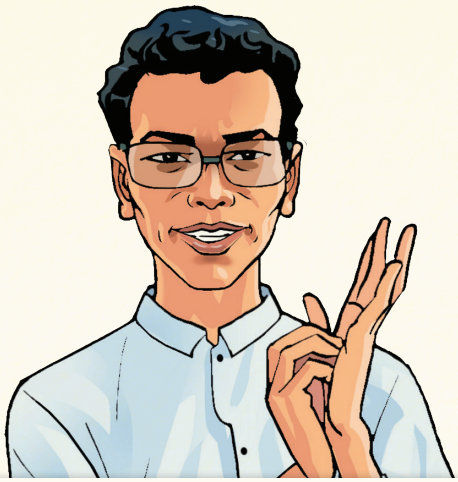
Name: _____

Month: _____

Year:

DATE	DESCRIPTION OF EXPENSE ITEM	AMOUNT SPENT	PLANNED OR UNPLANNED	
			YES	NO
			☐	☐
			☐	☐
			☐	☐

C



FINANCIAL EDUCATION QUIZ

GET TO KNOW SAVINGS METHODS AND PRODUCTS

C1. What is in your view the best way to save?

- ☐ **a.** I keep my money at the dorm or my home as it is more convenient.
- ☐ **b.** I deposit my money at the bank as it is safer.
- ☐ **c.** I put my money in the merry-go-round as I have many friends there.
- ☐ **d.** Each method has advantages and disadvantages. I review them carefully before choosing the method that is the most appropriate for my needs.

C2. You have some savings and you plan to to use them only next year. What savings account is the most appropiate for you?

- ☐ **a.** A regular savings account.
- ☐ **b.** A contractual savings account.
- ☐ **c.** A time deposit account.

C3. One of the criteria to consider when choosing a savings method is safety.

- ☐ **a.** True
- ☐ **b.** False

Answers: C1:d; C.2:c; C3:a

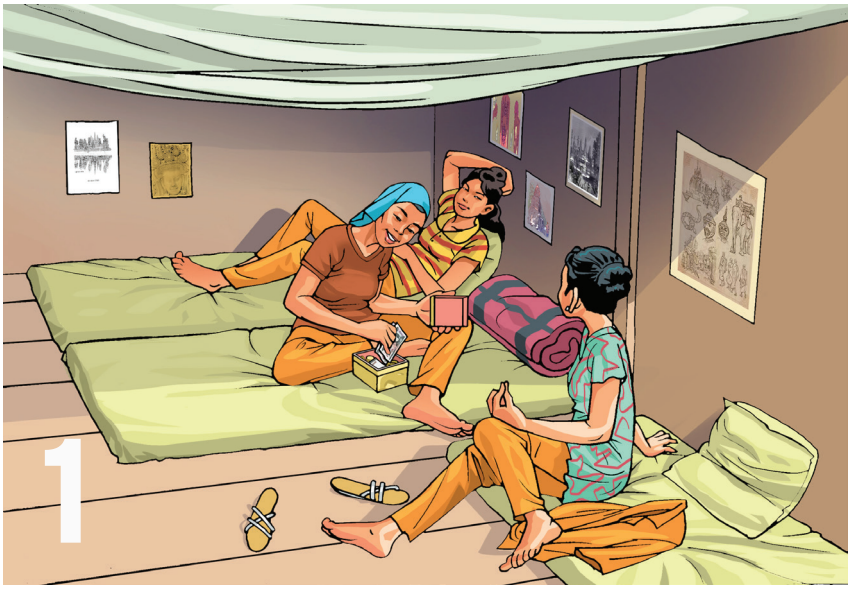


1. CHOOSE A SAVINGS METHOD!

Now that you have created your personal budget (or your family budget), you know how much you can save every month and how much you must save for each of your goals.

TRAINING AID C.1.1

Savings Methods



Sopheap saves part of her money in a little box in the room she shares with other workers.



Chenda, Boran's wife, saves her money at a local village women savings group with other teachers from the school. She likes saving there and meeting the other women in her group regularly.



Nary prefers to keep her personal savings at the bank account where she receives her salary. That way she is not tempted to spend the money she has put aside.



Raksa has formed a group with other workers at the same factory and they run a rotating savings and credit scheme between them (Tong tin).

QUESTIONS

- What are the savings methods used by the characters above?
- Are they formal, semi-formal or informal?
- Each method has its advantages and disadvantages. At the end of this module, in the Section Answers to exercises you will find a table that summarizes the advantages and disadvantages of each savings method.

Remember that to include more characteristics in the table, you can think about:

- **The safety of your money there,**
- **The possibility to withdraw your money when you want,**
- **The possible delays to withdraw your money,**
- **The possibility to save a lot or just a little bit of money,**
- **The possibility to avail a credit against your savings,**
- **The possibility that your savings generate some money (interests).**



IMPORTANT: Choosing a safe savings method can help you feel better. If you are constantly worried about your money's security, think which solutions you have at hand to stop this feeling.



YOUR TURN!

I know the advantages and disadvantages of several savings methods. Looking at my goals and my budget again, I think the best savings method for my projects is:

My goals	Savings method

KEY MESSAGES

- Saving provides security in the event of an emergency.
- Some needs/emergencies can be foreseen, others cannot. Saving enables you to plan for future needs or projects.
- When everything is going well, saving also enables you to plan for things you would like to do or have.
- You need to be familiar with the different savings methods to choose the one best suited to your needs.



2. SELECT YOUR SAVINGS PRODUCTS WISELY

A savings product is for example, a regular savings account that generates 4% interest or a time (fixed) deposit account for five years.

DEFINITION

A savings product is a savings method for which we know the characteristics, such as:

- Interest rate and tax advantages
- Access to savings / flexibility of withdrawal
- Convenience and ease of use
- Requirements for opening a savings account
- Safety
- Cost of savings (fees to open, manage or close an account, to do transactions)
- Liquidity
- Purpose and goals of your savings strategy
- Online access

Here are the three main savings products offered by financial institutions:

The regular savings account is adapted for when you want to make deposits or access your money any time.

The targeted/contractual savings account is adapted when you want to save a set amount each month for a specified period of time to reach a specific goal (housing, education, marriage, business...). Remember that early withdrawals are either prohibited or penalized. Many banks call this product instalment deposit account and you do not need to specify your goal beforehand.

The time (fixed) deposit account is adapted if you want to make your money grow for longer- term goals (you deposit a lump sum which you promise not to touch for a specific period of time).

Each type of product has advantages and disadvantages (for example, the different interest rates).

In the next pages you will find three brochures, one for each of these products. At the end of this module, in the Section Answers to exercises you will find a comparative table that summarizes the information from each brochure.



TRAINING AID C.2.1

Bruchure for a Regular savings account

REGULAR SAVINGS ACCOUNT



ACCESS YOUR MONEY

ANY TIME

An easy, simple and convenient way of keeping and withdrawing your money at any time when you need it. Your most efficient and secure way to start saving. Our regular savings account offers flexibility in managing your money.

It enables you to build up your capital over time, at your own pace.

ADVANTAGES

- A risk-free product
- Your savings are safe
- Interest rate: up to 1% in USD and 1.5% in KHR
- You can deposit money any time, the amount of times you want
- You can withdraw your money any time and without prior notice
- Zero fees in all your operations when using our bank network
- Free of charge for opening and closing your account (if you close before 3 months of opening, you will have to pay a 20 USD fee for early closure)
- Minimum deposit: 10 USD
- Adapted for emergencies
- Free card to deposit or withdraw from ATMs
- Use any ATM in the country (this might include costs)
- Free access to your account through our Mobile APP.

TERM: open-ended



REQUIREMENTS

- Be at least 18 years old
- Valid National ID or Passport
- Complete Application Form

TRAINING AID C.2.2

Bruchure for a Targeted/Contractual savings account



IF YOU REALLY WANT TO SAVE MONEY

FOR YOUR FUTURE

An installment deposit account is a longer-term saving. It is where you put a set amount of money or installment into the account daily or monthly for a set period of time and let it grow. Once the period is over, you withdraw the principal and interest together.

This account makes your goal of savings much easier. It allows you to make deposits at your own pace, with the option to fulfil your monthly deposit commitments in advance. You can choose from 6 to 36 months with different interest rates.

MAIN CHARACTERISTICS

- Up to 5% yearly interest rate in USD for a 36-month period
- Up to 7% yearly interest rate in KHR for a 36-month period
- Minimum deposit of 20 USD to open the account
- Free of charge for opening, transacting and closing your account
- Your savings are blocked until the end of the term you chose
- If you make anticipated withdrawals, you don't pay fees, but you lose part of the interests

REQUIREMENTS

- Valid ID (national ID, passport or other legal and valid form of identification)
- Proof of residence



TERM:
choose from 6 months to 36 months.

TRAINING AID C.2.3

Bruchure for a Time (fixed) deposit account

TIME DEPOSIT ACCOUNT



MAKE YOUR MONEY EARN MORE MONEY

With our Fixed Deposit, you make your money work hard and know exactly what you will get. The Fixed Deposit account can be opened in USD and KHR at any branch or just in a few taps on our Mobile app!

This account helps you gain high interest rates. The money you invest in this account is blocked and it is perfect for your future investments and any substantial expenses you are planning for. The perfect account to not get tempted to use your savings while earning a good return on your capital.

TERM: from 1 month to 5 years

MAIN CHARACTERISTICS

- Highest interest rate in the market – up to 9% in KHR or 6% in USD.
- Minimum deposit: 400,000 KHR or 100 USD
- Free of charge for opening, transacting and closing account
- Flexible deposits: you can add money whenever you can
- Early withdrawals not allowed
- Free certificate of deposit
- Build your savings history with us and access credit for your projects
- Free Credit Card for deposits over 3,000 USD

REQUIREMENTS

- Proof of funds origin.
- Valid ID (national ID, passport or other legal and valid form of identification)

Now that you know more about the different savings products, help our characters to decide which savings account they should open to help them reach their goals.

TRAINING AID C.2.4

Matching goals to savings products situation cards



MATCHING GOALS TO SAVINGS PRODUCTS SITUATION CARDS

SITUATION 1

Sopheap is able to consistently save around USD 20 every month in a little box in her dorm. Sometimes she feels unsafe to have this money in cash in her room. She knows through a factory manager that now it is possible for her to get paid through a bank account. She wonders whether it would be better for her to save this money in the bank. She does not want to be tempted to spend this money. She is not sure formal institutions will take her as a client, but she wants to give it a try, nonetheless.

What type of savings account can she opt for?

FINANCIAL EDUCATION



MATCHING GOALS TO SAVINGS PRODUCTS SITUATION CARDS

SITUATION 2

Boran's transfers every month to Chenda through a money transfer operator. While most of the money is used to repay the debt of the motorbike purchase and essential needs, they keep a tiny portion as savings in cash at the house and another part Chenda deposits in her local village women savings group every month. They have many objectives, the most important one being to save enough for having their own house. Increasingly, Chenda has been hearing her colleagues at the school are opening bank accounts. She wants to open one because she also heard they offer different kind of accounts, for different goals. In their case, she would like an account that helps her to not get tempted to use their money for other purposes. If possible, they would like to earn the highest possible rate of interest.

What type of savings account can they opt for?

FINANCIAL EDUCATION



MATCHING TO SAVINGS PRODUCTS SITUATION CARDS

SITUATION 3

Nary has been doing a lot of extra hours lately and saving up consistently over the last months to buy the materials needed to build an extra room in her house. She knows she does not use this money for another purpose and she also knows that she will not be able to have all the money she needs until next year.

What type of savings account can she opt for?

FINANCIAL EDUCATION



MATCHING TO SAVINGS PRODUCTS SITUATION CARDS

SITUATION 4

Raksa saves every month. Most of her money is spent on her needs but she does keep a small part in the rotating savings group with her colleagues. Now she knows through the factory representatives that it is possible for her to get paid through a bank account. She wonders whether it would be better for her to save this money in the bank instead of continue using the group. She does not want to be tempted to spend this money and wants to keep it safe. She is not sure formal institutions will take her as a client or if she will understand all their conditions, but she wants to give it a try, nonetheless.

What type of savings account can she opt for?

FINANCIAL EDUCATION

TIPS

Each type of product has its advantages and disadvantages (for example, a different interest rate). To choose a savings product, you must not only know the characteristics of different products. You should also know yourself well by asking the following:

- *Your personal situation:* what is your income? Your expenses (including the repayment of a debt)? How much did you save? How much do you put aside when all is well? How much could you set aside by managing your money better?
- *Your goals:* for what purpose do you want to save? For emergencies? To study? To invest in creating a business? For your return home? For accommodation? For retirement?
- *Your horizon:* for how long do you want to save / block your money?
- *Your behaviour:* do you want to take risks or not? Don't go into risky investments if you are not familiar with financial markets!

Beware of false advertisements! Remember that no savings product can assure you high returns without risk, especially in a short time.

What questions to ask a financial institution before selecting your savings product?

- *Can I make withdrawals when I want?*
- *What is the interest rate?*
- *Do I need to pay taxes on the interest rate? If so, how much?*
- *May I take out loans against my savings?*
- *Is the savings schedule flexible? (In other words, do you have to deposit certain amounts at a fixed date?)*
- *Is there a minimum deposit when I open the savings account or a minimum amount that should always be on the account?*
- *Will I be charged for making anticipated withdrawals? If yes, how much?*
- *How would people normally use this type of account?*

KEY MESSAGES

- For every savings goal there is an appropriate savings product.

IMPORTANT: Entering a financial institution to ask these questions might make you afraid or anxious. Remember you can always ask a friend or a colleague to accompany you until you feel confident to go alone.

ANNEXES AND KEY DOCUMENTS

CHARACTERISTICS TO CONSIDER WHEN CHOOSING A SAVINGS METHOD

Ease of access / flexible withdrawals
This refers to how easy or difficult it is for a person to withdraw their savings. For example, how many withdrawals the account holder is permitted to make from his or her account each month, or whether the bank or financial institution has ATMs or branches in all parts of the country (making it easier for the holder to access his or her account).

Convenience and ease of use
Customers like convenience and want to be able to make a withdrawal as quickly as possible. Some people, for example, want their bank to be open at times when they themselves are not at work.

Requirements for opening a savings account
Many people think you need to be well-off to open a bank account. This is not always true. Some banks require only a very small deposit (or none at all) if you want to open a savings account. However, requirements might include national IDs, proof of residence and/or services paid by person that might not be easy to comply for many people, especially Forcibly Displaced Persons.

Safety
When people choose to keep their money at home, there is a risk of it being stolen or lost. Some State-regulated financial institutions provide guarantees for small savers. In other words, if they go bankrupt, you will not lose your savings.

Interest rate and tax advantages
When you save with a formal (or semi-formal) institution, you are rewarded for depositing your money with the institution concerned. The reward, or interest, is generally a percentage of the amount you have deposited. There may also be tax advantages in saving with formal institutions.

Liquidity
Can you withdraw your savings from your account? How and on what terms? If you need money urgently, the method of saving you have chosen must allow you to withdraw all your money within a reasonable period of time. In the case of savings in kind (a property or livestock, for example), you may have to wait days or months before you can sell your asset and get your hands on the cash.

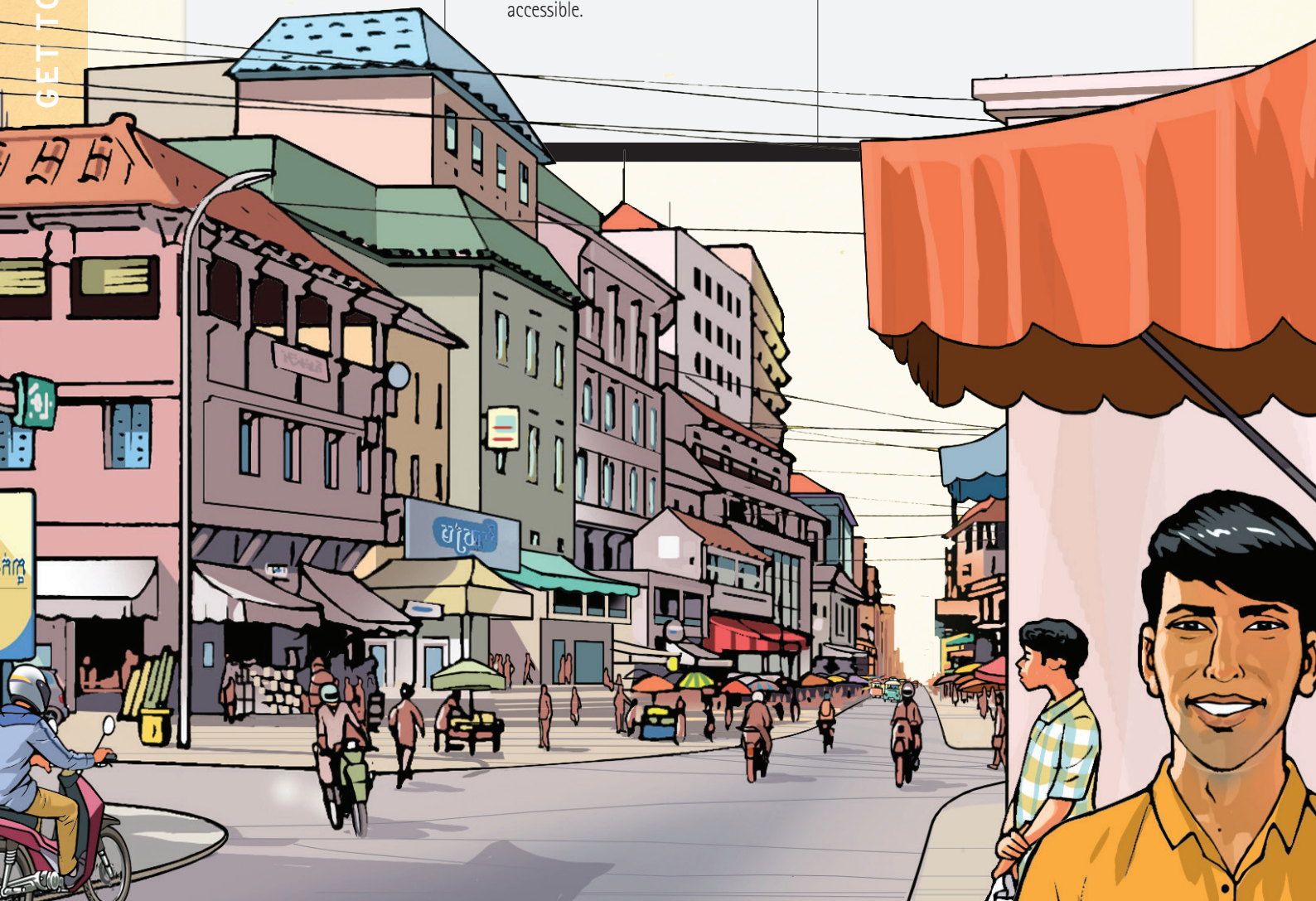
Cost of savings (fees)
Formal institutions may charge you for making transfers, withdrawing money from ATMs, etc. In need of quick access to money, it would be better to have a saving method that allows access to your money with a reasonable delay.

Purpose and goals of your savings strategy
Depending on your reason for saving, some methods will suit you better than others (e.g. to save for a house or apartment, where large sums are involved, a formal method will be more appropriate than a tontine scheme or keeping your money under the mattress).

Online access
To which extent you can use these services using electronic devices such as computers, tablets or phone. For some people the idea of handling their savings completely online is very important to not depend on opening times or filling paperwork to make transactions.

ANSWERS TO EXERCISES

Savings method	Advantages	Disadvantages
Formal		
• Banks • The Post Office • Registered microfinance institutions • Registered savings and credit cooperatives • Insurance companies (for long-term savings products such as life insurance) • Fintech/apps • Mobile wallets	• The safest option. • Privacy (no one except the holder of the savings product knows how much is in the account). • Less temptation to withdraw money (easier to refuse requests). • You may receive interest. • You can access other financial products (current accounts, retirement savings accounts, loans, etc.). • A better way of managing your money (savings account statements). • Speeds up the payment of bills. • When the bank operates internet or mobile banking services, you can check your balance and manage your savings 24 hours a day. • Digital providers also allow you to check your balance and manage your savings 24 hours a day. • Many banks operate through Bank Agents that make their services much more accessible.	• Might require IDs or proof of residence not easily available. • Bank employees are often sales personnel aiming to sell products, so they may put the interest of the bank first rather than the clients'. • Remuneration rates vary from product to product. It can be very low. • Some products might have minimum deposit required for opening an account that may act as a barrier. • You may have to pay account charges. • A waste of time queuing at the bank. • The different products and charges are complex; fear of making a mistake. • Restricted opening hours (closed evenings and during weekends). • The effects of economic or political instability: financial crises, currency devaluations, blocking of withdrawals, impossibility of getting money out of the country (exchange controls). • Bank agents may have no sufficient funds to serve you.



Savings method	Advantages	Disadvantages
Semi-formal • Savings groups • Self-help groups • Tong-tin • Village banks • Village Savings and Loan Associations (VSLAs) • Unregistered microfinance institutions • Unregistered savings and credit cooperatives • Unregistered loan institutions	• Easy access. • The fact that you are saving often means you can get a loan. • You can earn interest on loans made with savings. • The savings group rules about the frequency and amount of deposits encourage saving. • Discipline. • Makes for solidarity and strengthens social bonds among members.	• Few guarantees. • You cannot be sure of earning interest on your savings. • Limited or no access to loans. • Being able to save or withdraw money is subject to the approval of the members. • Danger that a member will not abide by the rules (e.g. someone might disappear after receiving money from the group). • Depending on the degree of formalization, it may not be possible to appeal to the police if there is a problem. • Danger of the death of a member of the savings group. • You need to be part of a network in order to join a savings group. • Savings groups run a higher risk of failing (no management supervision by the authorities).
Semi-formal • At home (in cash, in a safe or money box). • In kind (gold, jewelry, livestock, land, property, etc.) • Entrusting money to a friend, relative or trader.	• Easy access. • The asset you have acquired may increase in value. • You have to sell your asset to get your money back (subject to the law of the market). • The friend, relative or trader is always available. • There are other advantages to saving in kind: production or sale of milk (in the case of cattle), jewelry can be worn for important events. • If you save in kind (livestock, property) you may be able to earn money (sale of meat/ milk, rent, etc.).	• Not secure: value may fall over the years, risk of theft, sickness or death (in the case of livestock). • There may be a strong temptation to spend (if you keep money in the home). • Difficult to liquidate in case of emergency (selling an asset takes time). • Cost associated with savings in kind: food and veterinary costs for livestock, repairs to property.



Savings products comparative table using fictional brochures

	Regular savings	Contractual savings	Time deposit
Anyone can open it?	It seems it is possible	It seems it is possible	It seems it is possible
Is there a minimum deposit when you open the account or whenever you want to pay money in?	USD 10	USD 20	USD 100 KHR 400,000
Can you make withdrawals at any time? Do they have any costs or penalties?	Yes, at no cost	Yes, but you lose interests	No
What is the interest rate?	1% USD 1.5% KHR	5% USD 7% KHR	6% USD 9% KHR
Can you borrow money if you open a savings account?	No information	No information	Yes, after some time
Is the timetable for making deposits flexible? (In other words, are you obliged or not to pay in a certain amount on a fixed date or can you make payments whenever you please?)	Flexible	It has monthly deposit commitments	You need to deposit the minimum. Then it is flexible
Can I deposit or withdraw my savings in an ATM?	Yes	No	No

TRAINING AID C.2.4

Matching goals to savings products situation cards



ANSWERS SITUATION 1

Sopheap should try to open a normal bank account at a bank as she never had one. In that bank account, she would be able to set aside some money each month, that she could then transfer or take to with her when she goes back to the village.



ANSWERS SITUATION 2

First Chenda, Boran's wife, could try to open a regular savings account and become a client of a bank. Then, she could check if a contractual savings account could be available for her.



ANSWERS SITUATION 3

As Nary does not intend on spending this money for at least one year, a fixed term deposit account would enable her to earn the highest possible rate of interest and to protect her money from the temptation to spend it on other things (because penalties are imposed for early withdrawals).



ANSWERS SITUATION 4

Raksa should try to open a normal bank account at a bank as she never had one. In that bank account, she would be able to set aside some money each month to use for her objectives.

D



USE CREDIT PRODUCTS WISELY

FINANCIAL QUIZ EDUCATION

D1. What do you think is the best way to finance a project?

- ☐ **a.** Borrow money.
- ☐ **b.** Use your savings.
- ☐ **c.** Borrow money and use your savings.
- ☐ **d.** Analyse your needs and resources and choose the best option accordingly.

D2. What is most important when choosing a loan?

- ☐ **a.** The interest rate.
- ☐ **b.** Refund conditions.
- ☐ **c.** No criteria is more important than others, we must study them all and choose the loan and the lender which correspond to our needs and our personal situation.
- ☐ **d.** The lender's geographic proximity.

D3. What is the term that does not belong to credit terms?

- ☐ **a.** Interest rate.
- ☐ **b.** Bail.
- ☐ **c.** Budget.
- ☐ **d.** Penalties.

Answers: D.1:d; D.2:c; D.3:a

1. CHOOSE A METHOD TO FINANCE YOUR PROJECTS

Having studied various savings options in the previous module, we are now going to compare the different possible ways of raising money to achieve our financial goals and finance our projects.

TRAINING AID D.1.1

Stories of financing

STORY OF FINANCING





SOPHEAP

Sopheap's parents decide to draw on their savings to buy new mattresses as their old ones got wet after a flooding they faced. The consequence is that part of their savings is used. However, they will not have to pay back a loan or pay interest.

FINANCIAL EDUCATION

STORY OF FINANCING





BORAN

Boran wants to give as birthday present to his older kid a new bicycle. As they are saving for the house, Boran and Chenda decide to sell Boran's old bicycle to a neighbour. With that money they can buy a small new bike.

FINANCIAL EDUCATION

STORY OF FINANCING



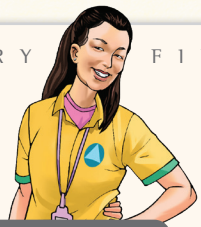


NARY

Nary borrows money from a formal financial institution to buy the last inputs she needs to build the extra room in her house. The consequence: she will have to pay back the loan and interests as part of a global repayment plan.

FINANCIAL EDUCATION

STORY OF FINANCING





RAKSA

Raksa needs to replace her phone as hers fell and broke completely. She does not have enough savings to buy it now. She decides to borrow money from an informal lender that everyone borrows from at the factory. The consequence: she will have to pay back the loan with high interest and make sure she does it on time as she has heard this informal lender is very severe with delays.

FINANCIAL EDUCATION

There are generally four ways in which people raise money to fund a project:

1. Sell an asset, like Boran.
2. Use personal savings, like Sopheap.
3. Borrowing money from family/friends and other informal sources of credit; like Raksa.
4. Borrowing from a financial institution such as a bank, microfinance institutions, or registered savings and credit cooperatives, like Nary.

At the end of this module, in the Section Answers to exercises you will find Training Aid D.1.3, as a table describing the advantages and disadvantages of each financing method.

TRAINING AID D.1.2

The story of two businesses



PHANY

You are Phany, a very good friend of Raksa and you run a small business selling food. Today, you are going to visit your friend, Tina, who also sells local ready-made food.

You ask your friend a lot of questions about how she funds her business. Your friend also wants to know how you go about it. This is how you have set up and expanded your business:

You started out with USD 500 you had saved up after many years working in a factory. You also had already saved before USD 150. Although your business is very small, you have a plan to expand it little by little.
You try to put aside USD 30 each week in a savings account dedicated to your business, which you recently have opened at the national bank. In this way, every 3 or 4 months you have saved enough money to improve a bit your business (better kitchen utensils to work with, better packaging materials) and expand it. Now you can buy larger quantities of inputs and diversify your production purchases. You have also been thinking about opening a physical shop.
The more profit you make, the more you can save and the bigger the investments you can make in the business.

TINA

You are Tina and you run a small business selling ready-made food. Your friend Phany also has a similar shop. Today she is going to pay you a visit.

You would like to know how your friend funds and expands her business. She also wants to know how you go about it. This is how you have set up and expanded your business:

You started out with USD 1,000 you had saved up and a loan of USD 1,500 from your bank.

This loan enabled you to reform the shop you rent. As of this reform, you were able to receive more clients in your nice shop in a quiet street. You paid all your weekly expenses on time each week, including the repayments on the loan. But you are able to save only USD 15 each week.

One day, a small shop came onto the market in the local market. The shop was to rent. This looked like a good business opportunity: you calculated that your turnover would double if you rented the shop. So, you took a quick decision, in case someone else rented it before you. You therefore borrowed USD 2,500 from your brother-in-law.

QUESTIONS

- How did Phany and Tina expand their business?
- Which of the two businesswomen is more likely to succeed? Why?
- Which person takes the most risks?
- What advice would you give to Phany and Tina?

⚠ IMPORTANT: **Having a lot of financial commitments can generate stress and affect your mental health. If you feel overwhelmed do not hesitate to ask for help.**

NOTES

YOUR TURN!

Looking at my goals and budget, I think the best option to finance my goals is:

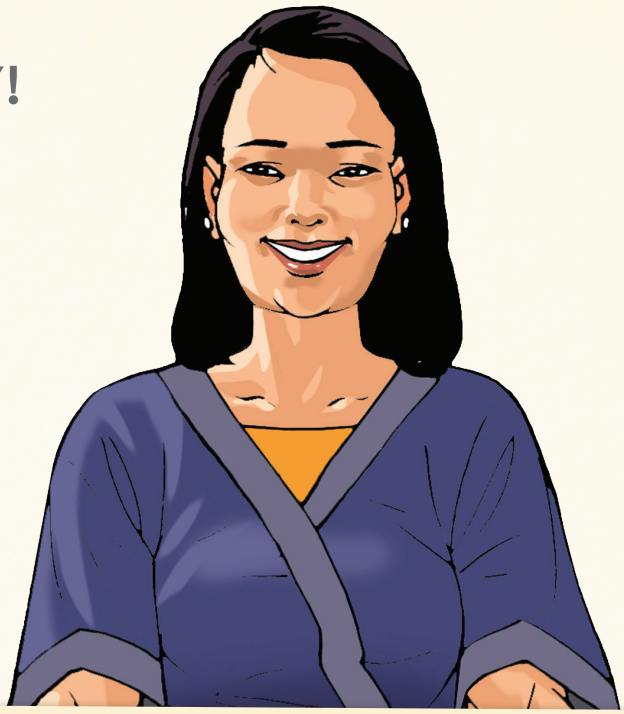
My goals	Best financing option

KEY MESSAGES

- There are several options to finance your goals.
- Each option has pros and cons. It is important to understand and review them carefully to select the option that matches the best your needs and your personal situations.
- You can also combine several financing options (borrowing and savings).
- Talk about the financing options to your family, in particular the members of your family who are involved in your goals (spouse, parents, children, siblings...).



2. SELECT YOUR CREDIT WISELY!



There are several sources of credit. Some, such as banks, microfinance institutions or specialized loan companies, are part of the formal economy and lay down specific terms for any person or institution wishing to contract a loan. Some try to make it easier to get a loan, even for poorer people.

Others require that you be part of a group, such as a tontine, or that you already have some money saved up.

DEFINITION

Loan: The act of giving money, property or other material goods to another party in exchange for future repayment of the principal amount along with interest or other finance charges.

Credit: A contractual agreement in which a borrower receives something of value now and agrees to repay the lender at some date in the future, generally with interest.

Interest: It is the price for the use of the money of the lender over a certain period.



TRAINING AID D.2.1

Terms and definitions associated with credit/loans

Match each credit term with its definition. Do not worry if you are not that sure.

At the end of the module in the section Answers to exercises you will find the right answers.

INTEREST	Professional charged by his clients with finding them the most suitable and/or cheapest loans (generally mortgage loans) from banks and other financial institutions
CREDIT BROKER	The amount of money the borrower pays to the lender, in addition to repaying the loan itself, to be able to use the lender's money
PENALTIES	The amount of the loan granted by the lender, net of interest
PRINCIPAL	Person who will pay off your loan in the event of you failing to do so. This person may be asked to add his/her signature to the agreement with the lender. The guarantee may also be in the form of property
GUARANTOR/ COLLATERAL	Sums the borrower will have to pay to the lender if he/she fails to repay the loan (e.g. seizure of property, a vehicle, savings...)
GRACE PERIOD	Repaying all or part of your loan before the term of the agreement
RETHINK	The proportion of the funding for your project which you possess before borrowing additional sums from the credit institution. This contribution will consist mainly of your liquid assets and savings
EARLY REPAYMENT	Period allowed between receipt of a loan and the first repayment (buy now, pay later)
MORTGAGE	Cancelling a credit agreement without penalty. A "cooling-off period" protecting you against impulse buying
PERSONAL CONTRIBUTION	Pledging a property you own as security to obtain credit from a financial institution. In the event of repayments not being made, the creditor may seize/repossess the property concerned and sell it in order to recover the sum originally lent plus charges. The owner does not lose ownership of a mortgaged property as long as he/she honours his repayment obligations

QUESTIONS

- In your opinion, what shall you analyse when selecting a lender?

Important features to consider when selecting a lender

- Annual Percentage Rate (APR), the true cost of taking the loan (including administrative charges, compulsory insurance)
- The amount you can borrow
- How easy it is to get the loan (e.g. how much you must have saved before a loan can be granted, the amount of the guarantee...)
- Requirements (papers I need to present, chances they would give me a credit)
- How quickly you get the money
- Penalties in the event of late repayment
- Distance from my home
- Methods of debt collection in the event of late payment (legal, intimidation, threats...)
- Grace period
- Obligation to use the loan for a particular purpose (housing, productive investment...)
- Possibility of extending the term or being given a grace period
- Possibility of accessing other financial services: current account, money transfer, debit card, mobile-phone or internet services...)
- Arrangements in the event of death, sickness or a change in the borrower's circumstances



KEY MESSAGES

- To use credit products successfully, you need to understand well the credit terminology.
- The borrower is responsible for repaying the loan according to the repayment schedule.
- Taking out a loan is a serious matter. Don't take it lightly.
- The rich man is the one who pays his debts (proverb)!
- To choose a loan and a lender wisely, you first need to know what products are available and who the lenders are, by gathering as much information as possible. With that information, you will be able to choose the product best suited to your needs.
- Which lender you choose will depend on the nature of your project, i.e. the goal you wish to achieve by taking out a loan.

3. CALCULATE THE COST OF YOUR CREDIT

Repayment capacity

Suppose after thinking well, you decided to take a loan to finance your project. Congratulations! You know how much you need, and you feel ready to go and see the financial institutions to find the right product for you. Before you go to see them, you will need to take the time to calculate your ability to repay a credit.

According to the laws in force in many countries, a person cannot repay beyond a percentage of his/her monthly income. Depending on the country, this varies between 30% and 40% of the monthly income. If we exceed this percentage, there is a high risk of over-indebtedness. Moreover, a financial institution giving credit to a person who will have to pay back more than the percentage of his authorized income can be sued.

⚠ **But beware!** This is the maximum percentage tolerated, it is not the advised percentage which is rather of 30%. Be aware that this repayment rate percentage can only be analyzed considering your budget. Sometimes our budget is so tight that does not allow us to undertake any loan.

As an example, we are going to calculate Nary's repayment capacity.

Case Study N°1

NARY'S REPAYMENT CAPACITY

After having received a training in financial education, Nary started to be very tidy with her numbers. Her fixed monthly salary is USD 310 (Please note! Variable income, such as overtime payments, which vary from month to month, is not taken into account for the purpose of this calculation).

Monthly income: USD 310.

Monthly capacity to make repayments: 30% of monthly income › USD 93.

On the basis of this calculation, then, Nary may not undertake to repay more than USD 93 per month (on all the loans he may have contracted).



PERSONAL CAPACITY

Now, over to you! Calculate your own capacity to repay a loan.

Monthly income: 100%

Monthly capacity to make repayments: . . . . . 30% of monthly income

IMPORTANT: Borrowing money that take into account your repayment capacity will help putting your mind at ease.

TRAINING AID D.3.1

Calculating the cost of the character's loan



Nary has calculated that she will need USD 1200 to buy a motorbike. She found the following financial products (loans) designed specifically for her needs. She is trying to work out which is the least expensive of the offers.

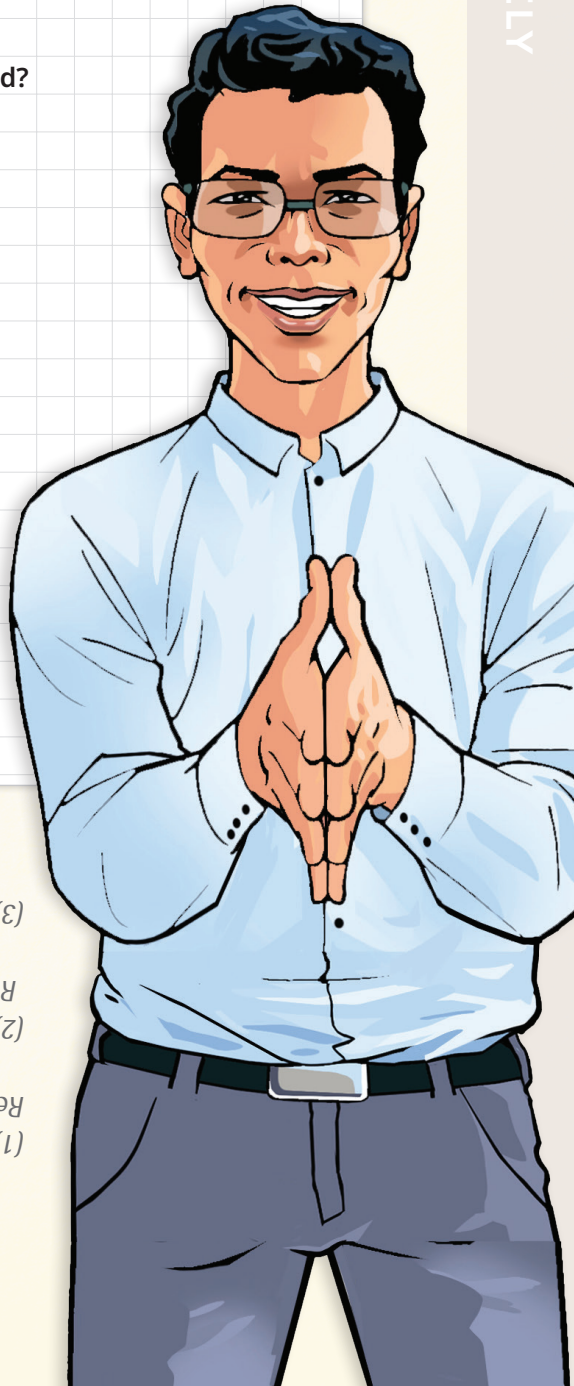
NAME OF PRODUCT	NATIONAL BANK	MICROFINANCE ASSOCIATION	MICROFINANCE PRIVATE COMPANY
Annual Percentage Rate (APR)	12% per annum	18% per annum	24% per annum
Term of the loan	2 years (24 months)	3 years (36 months)	1 year (12 months)
Amount repayable each month (monthly instalments)	USD 66.48	USD 43.38	USD 113.47
Total amount repayable (Term of a loan x monthly instalment)	56.49 x 24 = USD 1,355.70		
Real cost of loan (Total amount repayable minus amount of capital requested by Nary)	USD 1,355.70–1,200 = USD 155.70		

(1) Over to you! What is the real cost of the loan offered by MICROFINANCE ASSOCIATION?

(2) And the real cost MICROFINANCE PRIVATE COMPANY?

(3) Which, then, is the least expensive loan Nary is being offered?

⚠ **Attention!** The cheapest credit is not necessarily the most suitable for Nary needs. For example, it may be more difficult and riskier to reimburse a large sum each month. It depends on how much Nary expects to earn each month.



(1). Total amount repayable = 1,561.78 USD (43.38 x 36).
Real cost of the loan = 361.78 Dollars (1,561.78 – 1,200).

(2). Total amount repayable = 1,361.67 USD (113.47.41 x 12).
Real cost of the loan = 161.67 USD (1,361.67 – 1.200).

(3). National Bank

TRAINING AID D.3.2

Made-up brochures advertising loans



MICROFINANCE ASSOCIATION LOAN



APR: 18%

Term of the loan: 3 years

Monthly repayments:
USD 43.38
(On a loan of 1,200 USD)

Maximum amount of loan:
USD 3,000

Conditions:

- No minimum personal contribution.
- You must be a customer of the microfinance association. Very quick and easy registration!

Personal supervision throughout the repayment period.

Training courses in business start-ups and financial education.

The longest term of the market. The lowest instalments.

Come and visit us.

YOUR BEST MICROFINANCE LOAN



YOUR FINANCIAL PARTNER FOR GROWTH AND NEW PROJECTS

SPECIAL MOTORBIKE LOAN: BUY YOUR DREAM 2-WHEELER

APR:	24.00%
Term of the loan:	1 year
Monthly repayments:	USD 113.47 (On a loan of 1,200 USD)
Grace period:	0
Maximum amount of loan:	USD 10,000

Conditions:

- Minimum personal contribution 10% of the cost of the project
- You must have been a customer for at least twelve months

TRAINING AID D.3.3

Table summarizing the arguments that influenced the character in choosing a lender and a loan (empty)

FACTORS	NATIONAL BANK	MICROFINANCE ASSOCIATION	MICROFINANCE PRIVATE COMPANY
APR / cost of the loan			
Ease of accessing a loan / conditions			
The amount he/she can borrow			
Repayment frequency			
Support and availability of non-financial services			

F I N A N C I A L E D U C A T I O N

Your turn!

Looking at my goals, my budget, and my repayment capacity, do I need a credit product?

☐ **Yes** ☐ **No**

If yes, for what goal? . . . . . .

What amount? . . . . . .

Now, look for information at financial institutions around you, and fill in Nary's table, but for the goal you have decided you need a credit for.

Warning! To be able to compare credit products, you need to ask how much the loan will cost you overall (that is, how much you will pay back in addition to the amount that you borrowed). This includes the interest rate on the capital borrowed, but also the administrative costs, insurance, other services offered. Like Nary, beware of low interest rates, which over a long period of time can actually be very expensive!

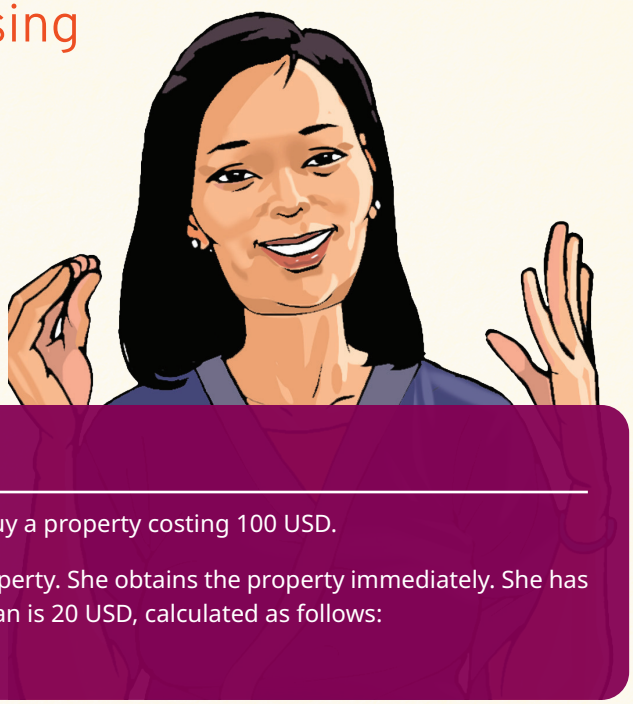
NAME OF PRODUCT			
Annual Percentage Rate (APR)			
Term of the loan			
Amount repayable each month (monthly instalments)			
Total amount repayable (term of a loan x monthly instalment)			
Real cost of loan (Total amount repayable minus amount of capital requested)			

The best product for my needs is: .....



TRAINING AID D.3.4

House-buying scenario using conventional finance and Islamic finance



CONVENTIONAL FINANCE

One woman from the host community wants to buy a property costing 100 USD.

She takes out a loan from a bank and buys the property. She obtains the property immediately. She has to repay 120 USD over 20 years. The cost of the loan is 20 USD, calculated as follows:
(120 – 100 = 20)

ISLAMIC FINANCE

One Islamic woman from the host community wants to buy a property costing 100 USD.

Her bank buys the property for 100 USD, taking on the associated risk (e.g. the possibility that the property might burn down). The apartment now belongs to the bank. The bank sells the apartment on to her for 120 USD and transfers ownership of the property after 90 days. She has agreed to pay the money back to the bank over a period of 20 years. The cost of the loan is 20 USD .
(120-100 = 20)

KEY MESSAGES

- In order to use well a credit product, you should understand well all the credit terms.
- Borrowing comes with the responsibility to repay, and to repay on time.
- Borrowing is a serious business. Do not take it lightly!
- In order to select your credit product, you need to know the different products, gathering information on the characteristics of each of them. With the information, you will be able to select the credit product that is the most adapted to your needs.

4. WATCH OUT! DO NOT GET OVER-INDEBTED!

TRAINING AID D.4.1

A tale of over-indebtedness

PART 1: Raksa is talking at the dorm with her colleague Rany

Rany	Raksa, please remember to ask your savings and loan group for the money I asked you.
Raksa	Yes, we are meeting at 6.00 p.m., when the afternoon shift is over. I'm not worried because, as I told you, I will be able to ask for USD 100 and I will give them to you.
Rany	But, Raksa, why are you borrowing only USD 100? Have you forgotten that I asked to borrow at least USD 200? I need to repay two informal lenders tomorrow.
Raksa	Rany, you are confused. I told you I could only ask for USD 100, and you answered back that you would find the money for the repayment!
Rany	I know, but I haven't been able to. You must borrow at least USD 200 from your group to save me this time. I know the Tong Tin gives more money to members sometimes. Even if it is high interest rate, I will then pay you back. I promise.
Raksa	But I'd never be able to pay back such a large a loan to the group! I do not want to harm my savings record there.
Rany	Don't worry about it. I'll give you the money you need later on. I must go now. See you later.

PART 2: Rany is having a word with Visal, an informal lender that usually lends money to workers and she is friend of.

Rany	Hi Visal. How are you? Long time no see.
Visal	Yes, everything is fine, thanks, Rany. What about you?
Rany	I am ok. I need to ask you a favour. Could you lend me USD 100? I have some urgent debts with other lenders that I need to cancel today.
Visal	(Trying to move away...) But, Rany, this is the second time you've asked me for money to pay back other lenders. And the last time you borrowed money from me it took me ages to get the money back.
Rany	Visal don't worry! I'll pay you back. Today I'm getting some money from my colleague Raksa. Then I will not borrow anymore and just focus on repaying you.
Visal	You're borrowing from your colleagues, too?
Rany	Yes, I needed to borrow from her as well because I could not do a lot of extra hours last month. I'm heavily in debt but I trust all will be better soon.

QUESTIONS

- What is Rany doing?
- Why is she borrowing from several lenders?
- What does Rany think of the different lenders from whom she is seeking loans?
- How is Rany supported by Raksa?
- What do you think will happen to Rany?

DEFINITION

Over-indebtedness is when it is impossible for a person to cope with/ service their personal debts, including bank loans (while maintaining decent living conditions for themselves and their family)

⚠ **IMPORTANT: You may feel ashamed about being over-indebted and this can affect your relationship with family and friends. Don't isolate and talk about your problems with people you trust.**

TIPS TO STAY AWAY FROM OVER-INDEBTEDNESS

- *Only borrow the amount of money that you can manage to pay back.*
- *Calculate your debt-to-income ratio. Calculate your total monthly income and the monthly payments you have to make to pay back your loans (monthly debt obligations). Compare these two figures and calculate the ratio. Usually, if your repayments reach 30 per cent of your monthly income, you should not take an additional loan.*
- *If you can't make the loan repayment on time, be honest with your lender and explain the reasons for such challenge.*
- *Listen to the advice of your lender, friends and family on how to pay back your loan.*
- *Reduce some of your daily life expenses in order to pay off the debt.*
- *Always keep some emergency savings so that you can cope with emergencies without affecting your loan repayments.*
- ***Take action!** Go and see your account manager at the financial institution. Do not wait until it is too late to ask for assistance.*



TRAINING AID D.4.2

ROLE-PLAY CARDS

ROLE-PLAY CARDS

CARD1

You are colleagues from Rany. She has many debts with many of you. She is failing to repay her loans. Prepare a short roleplay in which you discuss the situation and decide what to do about Rany.

FINANCIAL EDUCATION

ROLE-PLAY CARDS

CARD2

You are members of Rany's extended family and friends. You have not received money from Rany in the last months and you are a bit worried about her. Prepare a short roleplay in which you discuss the situation and decide what to do about Rany.

FINANCIAL EDUCATION

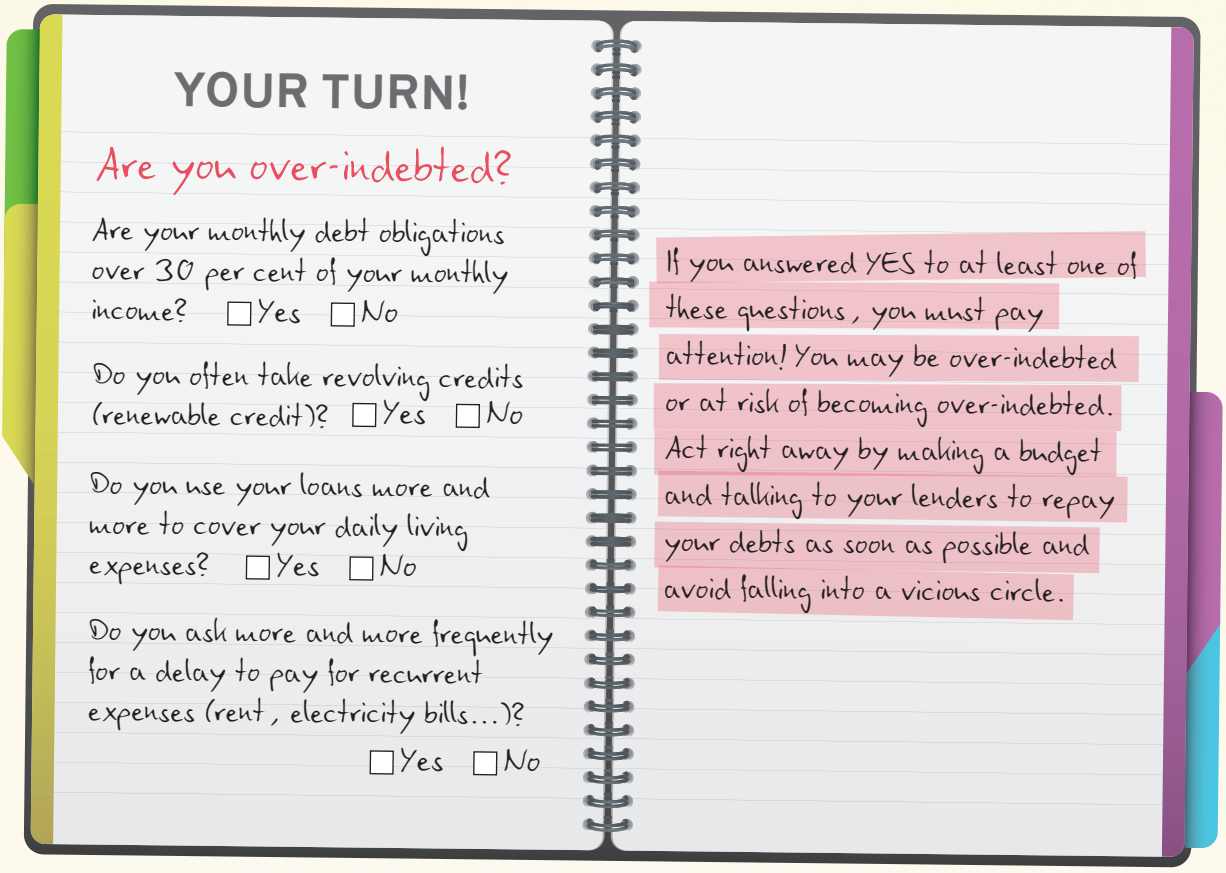
ROLE-PLAY CARDS

CARD3

You are one informal lender that lends money to Rany often. Prepare a short roleplay in which you share Rany's situation with other lenders.

FINANCIAL EDU





Some solutions

If you are already over-indebted, here are the solutions that can be offered by your credit institution:

- Reschedule the debt, i.e. reduce the amount repaid each month and lengthen the term of the loan.
- Interrupt payments for a given period.
- Sell an asset to pay off your most expensive debts (i.e. those that charge the highest rate of interest).

Do not hesitate to inquire about your credit institution's mediation services!

KEY MESSAGES

- Repaying is a decision that shall be taken when you decide to borrow.
- Avoid borrowing to repay a loan!
- Money from a credit is not yours!

ANNEXES AND KEY DOCUMENTS

QUESTIONS TO ASK A POTENTIAL LENDER

- What types of loan do you offer? What sorts of projects are funded by these loans (house purchase, business start-up, buying a car, etc.)?
- What is the interest rate?
- What fees and charges are charged?
- What is the APR (i.e. true cost of the loan, including fees)?
- Do I have to provide guarantees to be granted a loan? If so, what guarantees?
- How much do I have to contribute, if anything?
- What is the frequency of the interest payments?
- When does each repayment have to be made (e.g., beginning or end of the month)?
- What penalties are levied in the event of late payment?
- Where do the repayments have to be made?
- How long does it take to be granted a loan and get the money?
- How many times will I have to come here to finalize the loan application?
- What documentation do I need to present to the lender to be granted a loan?
- Do I have to pay the remaining interest if I pay off the loan before term?
- Are there compulsory or optional insurance arrangements if I take out this loan? If so, how much do they cost and what are they for?
- How far away is the office where I need to make the payments from my place of residence/business?
- Do I need to attend meetings in order to get my credit?
- How long are these meetings?
- Do you check if I have other loans with other institutions?

ANSWERS TO EXERCISES



TRAINING AID D.1.3: Advantages and disadvantages of the different ways of raising money

ADVANTAGES AND DISADVANTAGES OF THE DIFFERENT WAYS OF RAISING MONEY

	Advantages	Disadvantages
Sale of assets/property	• You use only your own resources	• Risk of the asset losing value • If it is a productive asset, the family may incur additional costs or have to spend more from day to day
Savings	• Fast access • Private resources • No interest to pay • You can do what you like with the money (no external interference)	• You deplete your savings • The money has to be saved over a long period, so will probably not cover all your needs • You may lack financial resources in an emergency
Borrowing from an informal lender (family, shopkeeper, employer, etc.)	• Fast • A local transaction • No implementation procedure	• Very expensive • Risky: if you fail to repay, the lender may adopt "heavy" methods, including intimidation • No legal protection in case of abuse by lender • Easy to get into debt
Borrowing from a formal financial institution (bank, microfinance institutions, Village Savings and Loan Associations, Savings and Credit Cooperatives Organizations)	• Fast • Accessible • Proximity • Registered in accordance with legal requirements • Part of a group able to give advice (social aspects/collective support)	• Might not have a product suited to your project • Interest rates sometimes high • Some providers might only finance me if I have a registered business

TRAINING AID D.2.1

Terms and definitions associated with credit/loans

INTEREST	The amount of money the borrower pays to the lender, in addition to repaying the loan itself, to be able to use the lender's money
PENALTIES	Sums the borrower will have to pay to the lender if he/she fails to repay the loan (e.g. seizure of property, a vehicle, savings...)
CREDIT BROKER	Professional charged by his clients with finding them the most suitable and/or cheapest loans (generally mortgage loans) from banks and other financial institutions
PRINCIPAL	The amount of the loan granted by the lender, net of interest
GUARANTOR/ COLLATERAL	Person who will pay off your loan in the event of you failing to do so. This person may be asked to add his/her signature to the agreement with the lender. The guarantee may also be in the form of property
PERSONAL CONTRIBUTION	The proportion of the funding for your project which you possess before borrowing additional sums from the credit institution. This contribution will consist mainly of your liquid assets and savings
MORTGAGE	Pledging a property you own as security to obtain credit from a financial institution. In the event of repayments not being made, the creditor may seize/repossess the property concerned and sell it in order to recover the sum originally lent plus charges. The owner does not lose ownership of a mortgaged property as long as he/she honours his repayment obligations
EARLY REPAYMENT	Repaying all or part of your loan before the term of the agreement
RETHINK	Cancelling a credit agreement without penalty. A "cooling-off period" protecting you against impulse buying
GRACE PERIOD	Period allowed between receipt of a loan and the first repayment (buy now, pay later)

TRAINING AID D.3.1

Calculating the cost of Nary's loan (complete)

NAME OF PRODUCT	NATIONAL BANK	MICROFINANCE ASSOCIATION	MICROFINANCE PRIVATE COMPANY
Annual Percentage Rate (APR)	12% per annum	18% per annum	24% per annum
Term of the loan	2 years (24 months)	3 years (36 months)	1 year (12 months)
Amount repayable each month (monthly instalments)	USD 66.48	USD 43.38	USD 113.47
Total amount repayable (Term of a loan x monthly instalment)	56.49 x 24 = USD 1,355.70	43.38 x 18 = USD 1,561.78	113.47 x 12 = USD 1,361.67
Real cost of loan (Total amount repayable minus amount of capital requested by Nary)	USD 1,355.70 –1,200 = USD 155.70	USD 1,561.78 –1,200 = USD 361.78	USD 1,361.67 –1200 = USD 161.67

NOTES

TRAINING AID D.3.3

Table summarizing the arguments that influenced the character in choosing a lender and a loan (complete)

NARY'S CRITERIA FOR CHOOSING A LENDER AND A LOAN

FACTORS	NATIONAL BANK	MICROFINANCE ASSOCIATION	MICROFINANCE PRIVATE COMPANY
APR / cost of the loan	• Cheapest APR, and cheapest real cost of the loan	• Average APR, but higher real cost of the loan	• Highest APR and average real cost of the loan
Ease of accessing a loan / conditions	• Not sure if Nary has been a customer of this bank for more than 6 months • Personal contribution might be acceptable for Nary • Montly instalment in line with Nary's repayment capacity	• Need to become a customer of the microfinance association but that should be easy for Nary • Monthly instalment in line with Nary's repayment capacity	• Personal contribution might be acceptable for Nary • Monthly instalment too high for Nary
The amount she can borrow	• Sufficient amount	• Sufficient amount	• Sufficient amount
Repayment frequency	• Monthly	• Monthly	• Monthly
Support and availability of non-financial services	• No	• Yes (it might be very important for Nary to have support/ supervision)	• No
CONCLUSION	• The cheapest loan • No support available • Nary would have to be client or if not wait 6 months to be eligible	• The loan is the most expensive one, but support is available for entrepreneurs and there is no need to make a personal contribution. They offer important training for Nary and the longest period of repayment	• Installment is too high for her. • Average cost but period of time is too short for her repayment possibilities

E



CHOOSE MEANS OF PAYMENTS AND MONEY TRANSFER PRODUCTS

FINANCIAL EDUCATION QUIZ

E1. A withdrawal card is a card with which I can

- ☐ **a.** Make withdrawals and payments.
- ☐ **b.** Make withdrawals only.
- ☐ **c.** Make withdrawals, even when I have no money in my account.

E2. Someone just stole my bank card, what should I do?

- ☐ **a.** The thief does not have my password, so I am not worried. I won't do anything.
- ☐ **b.** I immediately contact my bank to block the card.
- ☐ **c.** I immediately contact my bank to issue a new card.

E3. A money transfer allows

- ☐ **a.** To open a bank account.
- ☐ **b.** To move money from one place to another.
- ☐ **c.** To access a debit card to pay for your purchases.

E4. What is the safest method to send money home?

- ☐ **a.** Ask a colleague to bring the money back home.
- ☐ **b.** Ask a formal money transfer operator.
- ☐ **c.** Ask a relative.

Answers: E1:a; E2:b; E3:b; E4:b

1. USE MEANS OF PAYMENT WITH SECURITY

In the previous modules, we explored how to choose loan and savings products suited to your needs. We are now going to explore how best to use the different means of payment, for example for paying for the things you buy.

If you want to pay for a purchase, what are the possible means of payment?

The different means of payment and payment operations

- Cash
- Bank card
- Payment via the Internet
- Bank transfers and direct debits
- Digital wallet
- Cheque
- Electronic mandate
- Payment via mobile phone (if the service is a vailable in the country concerned)
- Bartering

At the end of this module, in Answers to exercises, you will find a table with advantages and disadvantages of each mean of payment.



Case Study N°1

RAKSA GETS A CARD FOR A FAMILY MEMBER

Raksa is going to the capital with her cousin. They want to purchase several things for the house. Raksa is concerned about taking the card connected to her bank account because she is always afraid of losing it. She calls her bank and discovers they have a type of card she can top up with the amount of money she wants, transferring directly from her bank account. She decides to go for this card. During her visit to the city, Raksa was able to withdraw money, pay for goods and even check her balance at an ATM.

Case Study N°2

BORAN USES THE CARD

It is the first week of the month and Boran just received his monthly payment in his bank account for the first time. As per what was told to him by his employer, the card they gave him will allow him to do many different transactions. A few days later, he stops by an ATM close to the factory and remembers he has the card in his wallet and would like to try it. He follows the screen and he is able to check his balance. Afterwards, he decides to withdraw 20 USD, as he needs to repay a colleague 10 USD he had borrowed from him and also wants to keep a bit of cash for his expenses. On his way back to his room, he stops at a small supermarket. He buys some rice and bottled water. He decides to pay with his card as he sees the sign that they accept them. It all goes very smoothly, and he is very happy about it. He can't wait to tell Chenda on the phone that he has a bank card.





Case Study N°3

BOPHA, NARY'S FRIEND, USES HER CARD

Bopha, Nary's neighbour, has just received a call from the bank. Because of being a good client, the bank has just offered her a new card that allows her to make payments even if she does not have money on her account. She has never heard of this type of card before. She is very happy because she knows that it is very useful to be able to pay with her card, especially now that her business is growing and sometimes needs inputs urgently. She usually buys these inputs online, even some of them abroad. The days pass by and Bopha uses her card without paying too much attention to all the expenditures she is making. She always thinks she will check her expenses during the weekend, but she never finds the time to do it. At the end of the month, she realizes she does not have enough money to cover all the expenses made with her bank card. She must pay very high interests. Bopha blames herself for being so careless.

DEFINITION

Pre-paid or cash cards

A pre-paid card allows you to withdraw money from your account by entering it into a device called an automated teller machine (often abbreviated as ATM). In addition to the possibility of money withdrawal, you can check the balance of your account. You can buy food, fuel, clothes and pay your rent with this card, provided the person you are paying to accepts cards. The money you use is deducted immediately from your balance. Some cards allow you to pay bills and recharge credit on your mobile phone. Each bank has its own network of ATMs but often you can use your bank card to withdraw from any ATM whether the ATM belongs to your bank or not. However, your bank may charge you a fee each time you use an ATM that is part of another bank's network. You can only use the money you have put in your balance. You can recharge it as many times as you want, through ATMs, bank transfers or even by use of network agents, depending on the country. If you receive this card through an organization, they might recharge it periodically (for example, each month) so that you can count on that money deposited in your account regularly.

Debit cards

A payment card allows electronic banking transactions. In addition to using it to withdraw money from ATMs, you can use a debit card to pay for the goods you buy in many stores.

You must have money in your account at the time of purchase. The amount of your purchase is deducted from your account immediately. You can regularly check your balance through the home-banking or cellphone. In some cases, you might receive a statement from the bank, indicating the total amount deducted from your account as well as your balance. It is the easiest way of using the money in your bank account without the need to withdraw it.

Credit card

In general, a credit card allows you to make the same transactions as debit card. The major difference is that it also allows to have access to instant credit. That is, if you do not have money on your account, you can still make a purchase in a store by taking a loan from the financial institution who sold you the credit card (financial institutions, department stores, etc).

Under the terms of the credit card purchase agreement, the amount of your purchase/loan will be deducted from your account (in one or several times, at an interest rate often much higher than that of conventional credit products). You will regularly receive a statement from the financial institution that sold you the credit card, indicating the total amount deducted from your credit, the amount repaid and the interest rate. Nowadays you can also check all this information online.

DIGITAL WALLETS





Case Study N°4

NARY PAYS USING A QR CODE

Nary needs to buy a new pair of shoes as the ones she is using in her free time are very old. She is walking on a commercial street in town and she sees a shop that sells shoes at a very good price. She enters the shop, tries a pair of work boots and decides to buy them. At the counter, the man from the shop tells her she can pay in cash and also using the digital wallet everyone is talking about. Nary asks: "Do I have any benefits in using the digital wallet?". The shopkeeper explains that the price is the same, but by paying with the digital wallet, no cash is used, and it is safer for everyone. Nary, who has downloaded this digital wallet and deposited 30 USD, decides to try it for the first time. She scans a QR code following the instructions of the shopkeeper and a message with "Accepted Payment" appears on her phone. She picks up the bag and leaves the shop happy to have tried this new payment method.



Case Study N°5

SOPHEAP PAYS BACK A FRIEND USING HER DIGITAL WALLET

Last week Sopheap borrowed 10 USD from her colleague Bopha, as she needed to buy a new charger for her phone and had no cash on her. Today she wants to pay her back using her digital wallet. Both have the same provider and after receiving a short training in the factory they really enjoy using this new means of payment. Sopheap enters the menu of her digital wallet and presses on the payment label. Then she selects the Scan code option. At the same time, Bopha opens her wallet and goes to the option of showing your QR. In one simple step, Sopheap scans Bopha's code, enters the total amount of 10 USD and presses OK. Immediately, the money is transferred to Bopha's account. They are both very happy to use this digital wallet.

DEFINITION

By digital wallets we refer to an app or online service used to make payments electronically operated from or via a mobile device. They are also called e-wallets. This could be done through digital wallets linked to bank accounts or through digital wallets that do not require the customer to have a bank account.

	Advantages	Disadvantages
E-wallet	• You can withdraw money in shops: no need to queue at a cash point or bank. • You don't need to carry money around with you when paying bills or someone. • Your e-wallet is protected by a PIN; your money is safe. • You don't need to fill in any forms to withdraw or deposit money, as you do when you visit a bank. • It can be more convenient to withdraw money in a shop than from an ATM or at a bank counter. • Retailers are rarely short of money. • You do not need a bank account. • Transactions are made immediately.	• You may forget your PIN. • Your mobile phone might be stolen. • Difficult to stick to your budget. • You might need internet access. • Network problems may delay transactions. • Agents might try to cheat unexperienced clients regarding their balance or charges. • Requirements for getting a SIM card are strict.

SECURITY TIPS FOR DIGITAL WALLETS

- Do not share your PIN with anyone.
- Never keep a record of your pin close or together with your sim-card.
- Do not save your PIN as a contact in your phone
- Always demand to look at the charges for the different transactions, especially when using an agent.
- When you are sending money to someone, double check the name and amount before inserting the PIN.

Case Study N°6

NARY FORGETS THE PIN CODE

Nary must withdraw money to pay for some expenses. She is already late for her appointment with a friend. She stops at the ATM and starts the money withdrawal process. She types her pin code as asked but the ATM screen indicates that the code is wrong. Surprised, Nary retypes her code but again the machine refuses the operation. She reflects for a second, but she is very confused. She tries a third time by changing a number in her code. The ATM refuses the operation and retains her card. Nary is very annoyed, she failed to withdraw the money and on top of that her card was retained by the machine!

SECURITY TIPS FOR MEANS OF PAYMENT

- Use your means of payment carefully, always thinking about staying within your budget.
- Keep your card, checkbook, wallet and mobile phone in a safe place.
- Never lend your credit card or checkbook to anyone.
- Never sign a blank check (without putting the amount).
- Do not write your confidential code on your bank card or leave it nearby.
- Never send your confidential information by e-mail, SMS, fax,etc.
- Pay attention when performing a transaction on the Internet. Check the security of the web site you are using (the web address should begin with “https”, there should be a padlock symbol in the bottom right of the screen,etc.).
- Check your bank statements carefully and regularly.
- Report immediately to your bank of any sum debited from your account which you cannot explain.

IMPORTANT: Managing your money, especially when you use different means of payment, can be complex. It can also be a very tiring activity. Follow the security tips above for your peace of mind.



KEY MESSAGES

- There are various means of payment: cash, payment card or payment operation: bank transfer, direct debit/standing order, payment by mobile phone or via the Internet, etc.
- Each mean of payment is different. As with all financial products, each involves costs and has advantages and disadvantages, which often depend on the type of expenses you want to pay for.
- A cash card enables you to withdraw money. A debit card can also be used to purchase goods from retailers (using the funds available in your bank account).
- As well as enabling you to withdraw money and pay for purchases, a credit card gives you access to instant credit (if the necessary funds are not available in your account at the time of purchase).
- The use of means of payment presents risks! Use your means of payment with care always thinking to stay within the limits of your budget.

2. GET TO KNOW MONEY TRANSFER OPERATORS

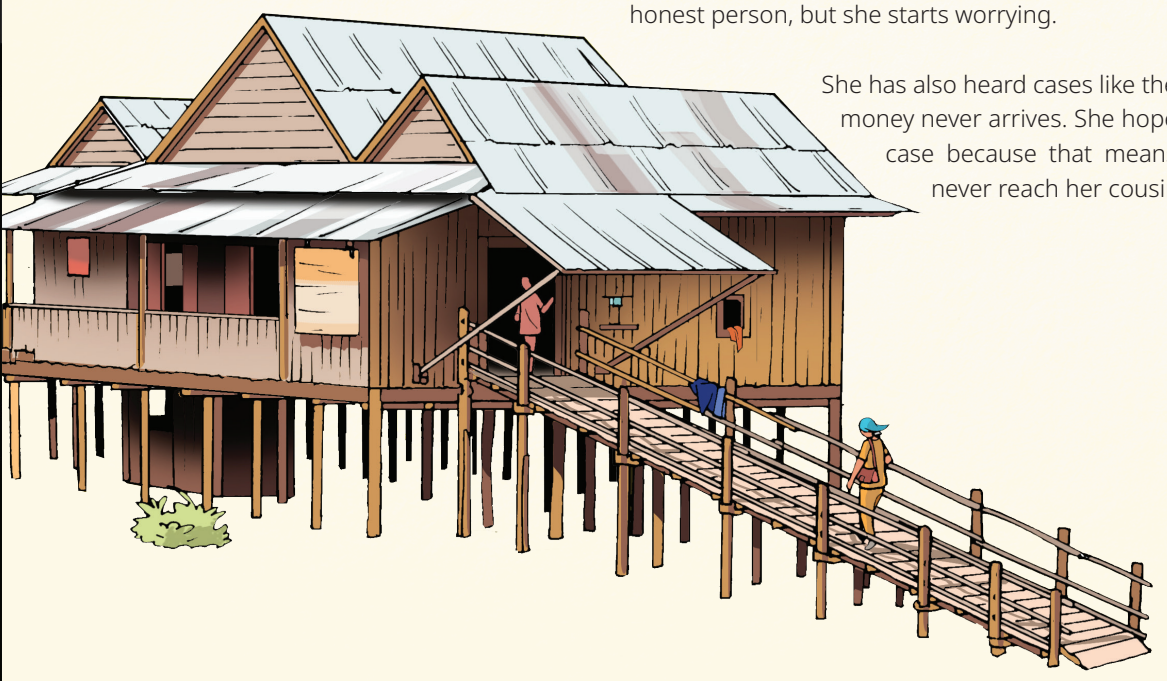
We are going to explore your options when it comes to sending and receiving money, in this country and abroad. We shall consider the advantages and disadvantages of each method.

Case Study N°7

RAKSA CAN'T FIND THE MONEY

Raksa received an urgent call from her cousin, who lives in Kampot. A big storm had caused damage to their roof. They needed money to buy some materials to fix it. Raksa has a tight budget this month but decides she cannot let her cousin down and should help her. A friend of a friend is going to that part of the country that week, so she decides to give the money to this woman that lives in a nearby village to the one of her cousin. A couple of days later, she speaks with her cousin who tells her she had still not received the money. Raksa thinks the woman is an honest person, but she starts worrying.

She has also heard cases like these ones where he money never arrives. She hopes that it is not the case because that means the money may never reach her cousin.





Case Study N°8

SOPHEAP USES A FORMAL PROVIDER

Sopheap knows it is the day of the month she needs to transfer money to her parents. Sometimes she sends the money with people that go to the village but lately she has been using a money transfer operator. Together with her colleague Bopha, they decide to go early in the morning before their shift. They go to ABC Money Transfer Operator because it has the lower fees. Right after sending the money, Sopheap called her mother and told her that she just sent her money like the last time. Later on, that day Sopheap's mother went to the agent. She showed her identity card and was given the money. Good news! Sopheap's mother has just texted to say she has received the money.

DEFINITION

Informal money transfer operators
These institutions and individuals are not regulated or supervised by the State.

Formal money transfer operators
These institutions are regulated and supervised by the State.

FORMAL MONEY TRANSFER OPERATORS	INFORMAL MONEY TRANSFER OPERATORS
• The Post Office (via local office or Internet) • Enterprises specializing in money transfers (via agency or Internet) • Banks (via bank branch or Internet) • Mobile phone money transfer services	• Shopkeepers and traders • Taxi and lorry drivers • Friends and family

Whatever the provider you choose to make a money transfer, be it formal or informal, you need to look at a series of criteria before making your choice:

- Costs of sending money (paid by the sender).
- Costs to receive money (paid by the receiver).
- Geographic proximity (for the sender and the receiver).
- Safety.
- Speed.
- Money exchange commission (if relevant).

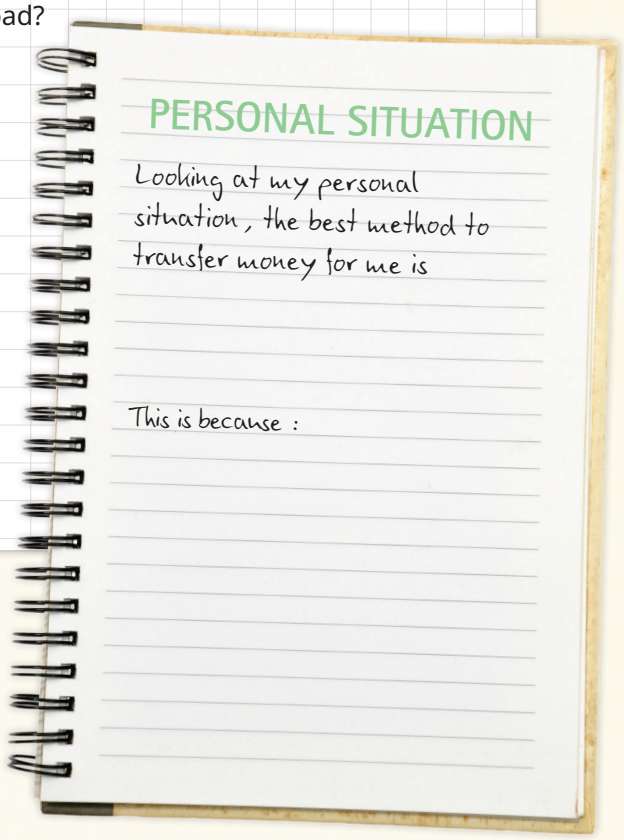
QUESTIONS

- And you? Do you send money to people, or abroad?

  ☐ **Yes** ☐ **No**

- If yes, for what reason?

- What method do you use?



KEY MESSAGES

- It is important to be familiar with the procedure for transferring money (documents to be provided, costs, operator's network, etc.).
- There are several ways to transfer money: cash to cash, bank account to cash, cash to bank account, bank account to bank account, cell phone to cell phone, etc.
- Choose your transfer method and your operator according to your situation and that of the person you are sending money to. Looking at characteristics such as the cost of sending, the exchange commission, the cost of receiving, the geographic proximity, etc.) enables you to take a decision that is best suited to your needs.
- Send money in a safe way, go for formal channels and facilitate the withdrawal for your relatives!

TRAINING AID E.2.1

Informal money transfer operators





TRAINING AID E.2.2

Formal money transfer operators







TRAINING AID E.2.3

The transfer methods chosen by the characters

Sopheap's method

Sopheap sends money to her parents using a money transfer operator.

Boran's method

Boran sends money to his wife using a money transfer operator. He carries the cash to the money transfer operator and the money goes directly into her newly open bank account. Next month he wants to try to transfer from his bank account directly to her bank account.

Nary's method

Nary sends money to her brother using the home banking access of her bank account.

Raksa's method

Raksa tries for the first time a digital wallet offering digital money transfers. The money goes directly into her cousin digital wallet in Kampot.

TRAINING AID E.3.1

Stages in sending and receiving money transfers

METHOD 1: Through a money transfer operator

- Contact or visit a bank or financial institution (in person or online);
- Fill in a simple and quick money transfer form;
- Approach the clerk and give him/her the following information:
  1. The name and number of the payee's account (if the payee, i.e. the person you are sending the money to, has a bank account),
  2. The name and identity card number or other identity document number of the payee (if the payee does not have a bank account);
- Inform the payee of the amount of money you have transferred and, depending on the time period indicated by the bank/agency (which may range from a few minutes to several days), the payee will be able to collect the money from the bank or agency, in cash or paid into their account (as you would have specified).

- Go to the bank or agency and give the clerk the necessary information concerning the amount of money being sent to you and the name of the person sending.
- Show the bank clerk your identity card or other document proving your identity.
- After checking on the computer system, the clerk or agent will give you the money.

METHOD 2: Through my bank using the bank application

- Enter the application of your banking institution. Validate your password (pin code or fingerprint).
- Once inside the app, select the account from which you want to send money.
- Click on Make Transfers / Send money. Sometimes this functionality can be found under a tab called Payments.
- Once inside Transfers section, you will have to complete the following information:
  - Date of realization.
  - **Destination:** Here you will have to complete the Alias and/or Bank account number of the payee.
  - **Currency:** typically, local currency but can also be another international currency.
  - **Amount:** complete the value of the transfer.
  - **Concept:** choose the payment concept (Assets, Miscellaneous, Rent or another that appears in the drop-down panel).
  - **Description:** this is to send a message to the payee.
  - **Recipient's email:** so that a notification reaches the payee.
- Press Continue or Make Transfer and the money will be sent on the chosen date. Some banks might require an additional security step here (could be an SMS sent to your phone that you need to include for confirming the transaction, could also be an extra pin generated for these operations). Generally, you receive a confirmation on the same app or via email that the transfer has been made successfully.

- Enter the application of your banking institution. Validate your password (pin code or fingerprint).
- Once inside the app, select the account to which you have been sent the money. When you enter and view the account details, you should have a new income for the amount sent and a detail that indicates who and when has sent you the money.

METHOD 3: Through my digital wallet

- Access the application from your phone. It must be the same application that the payee uses.
- Click on the menu and choose the option "Send Money".
- In the "To" field you can choose a contact from your phonebook, a cell phone number or an email address.
- Enter the value to send, choose the reason for sending the money (for example, return of the borrowed money or money for yesterday's dinner) and press the continue button.
- Select the payment method. It can be the balance of your digital wallet or also any of the payment methods that you already have linked to your digital wallet (debit card, credit card or bank account). In case you want to do it through a new card, the application will ask you for the card details. By pressing continue, the application will confirm the sending of the money.

- You may receive a notification by your app directly on your phone that you have received money.
- When you open the application, you will notice the payment instantly in your balance and last movements. The income of money is immediately available, that is at the same time as whoever send you the money completes the operation.



TRAINING AID E.3.2

Form for transferring money (transfer operator's form)

MONEY TRANSFER FORM

Date

Amount

Currency

SENDER INFORMATION

Surname:

Name:

Address:

Telephone number:

Date and place of birth:

ID card or passport number:

RECEIVER INFORMATION

Surname:

Name:

Test question in case the receiver does not have a valid identification:

Optional services available at additional costs. Check services desired:

- ☐ I want a check delivered to the following address
- ☐ I want you to telephone the receiver
- ☐ Message to be sent

CUSTOMER'S SIGNATURE

TRAINING AID E.3.3

Form for transferring money (bank's transfer form)

MONEY TRANSFER FORM

Date

Amount

SENDER INFORMATION

Surname:

Name:

Address:

Account number:

RECEIVER INFORMATION

Surname:

Name:

Address:

IBAN Number (International Bank Account Number, max 34 characters):

BIC Number (Bank Identification Number, between 8 and 11 characters) or SWIFT code:

CUSTOMER'S SIGNATURE

KEY MESSAGES

- It is important to be familiar with the procedure for transferring money (documentation required, costs, operator's network, etc.).

- There are many different ways of transferring money: cash to cash, bank account to cash, cash to bank account, bank account to bank account, payment card to cash, bank card to bank account, bank card to bank card, bank card to mobile phone, mobile phone to mobile phone, etc. The technology is evolving all the time. Keep yourself well informed about the new methods, as you might find them more convenient than the older ones.

- Considering your personal circumstances and those of the person you are sending money to when choosing your transfer method and operator (cost of transfer, foreign exchange commission, cost of receiving, geographical proximity, etc.), will enable you to come to the best possible decision.

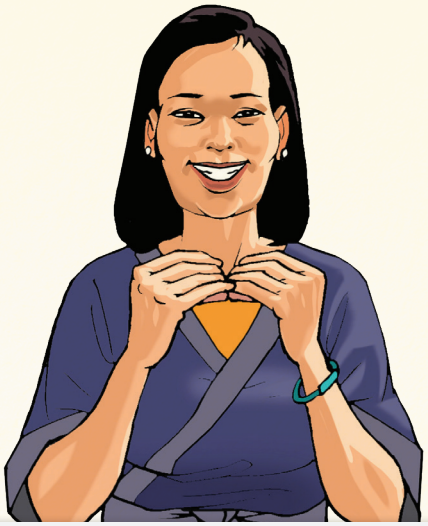
ANNEXES AND KEY DOCUMENTS

Questions to ask a formal money transfer operator

- *How can I send money to a relative?*
- *What forms do I need to fill in in order to send money?*
- *What forms will the receiving person have to fill in?*
- *What identity document is required for sending money?*
- *What identity document is required for receiving money?*
- *Do I need to have a bank account with your bank in order to send money?*
- *How long does it take for the receiving person to get the money?*
- *If I transfer money through an app on my phone, does the person receiving the money need to have the same app?*
- *What is the cost of a transfer?*
- *Will the receiving person get all the money I send, or will they have to pay additional charges on receipt?*
- *How can I check that the receiving person has in fact got the money?*
- *How will the receiving person be notified that the money has arrived?*
- *Can I cancel or amend my transfer?*
- *What exchange rate is used in converting my money into the currency of the receiving country (if I am sending money abroad)? What are the exchange costs?*
- *If I send money in USD, in what currency will the receiving person get the money?*
- *Do I have to come to the bank in person or is there a remote service for transferring money (internet, mail, etc.)?*
- *Do you have branches or agents of your bank in _____ (place of residence of the relative you are sending the money to)?*
- *Can I send money through my phone if the other person does not have a digital wallet? If so, where can they withdraw the money I send?*

ANSWERS TO EXERCISES

Advantages, disadvantages and use of means of payment



Means of payment	Advantages	Disadvantages	Use
Cash	• Simple to use • Very widely accepted (legal tender) • No charges • Immediate purchase possible	• Risk of theft or loss • No remedy in the event of theft or loss • Limits on the permitted amount of transactions (not everything can be paid for with cash, especially when large sums are involved) • It leaves no evidence on the transaction (could be problematic for budget management)	• For everyday purchases when small amounts of money are involved • To limit what you can spend during a particular period or on a particular occasion • To be able to buy something immediately
Bank card	• Security (generally speaking) • Leaves a trace of the place and amount of the transaction, and the item purchased • Protection against theft (secret PIN, the card can be cancelled if stolen) • Possible to make purchases involving large sums • They can be linked to bank accounts in other countries (not necessarily where I live) • May give access to secondary products: e.g. legal assistance, insurance when buying airline tickets • Access to other financial services (insurances, legal assistance) • They can be linked to loyalty programmes that could lead to benefits/ discounts	• Sometimes significant charges: annual fee, charges for withdrawals, payments made abroad, etc. • Risk of not keeping track of your expenses • Risk of forgetting when managing one's budget • Cannot be used everywhere: depends on the retailer having a working terminal	• For making everyday payments involving significant sums • For making occasional large purchases • For buying goods and services included related products" (e.g. paying for plane tickets if the card provides insurance)

Means of payment	Advantages	Disadvantages	Use
Bank transfers and direct debits	• No need to go anywhere or carry cash • Purchases can be made 24/7 • Often enables you to access good deals	• No one to refer to directly (if a problem arises) • Risk of scams if you buy from non-secure websites • Possible delivery problems with items purchased online • Risk of forgetting the expenses in the budget management • Risk of not keeping track of expenditure	• To access good deals • For quick purchases offering a comparative advantage (clothes, books, DVDs, tickets for shows, plane tickets, etc.) • For rare items available only via the internet • For paying bills (mobile phone) if you don't have a bank account • Payment without physical contact (COVID-19)
Digital wallets	• With some providers, no need to have a bank account to open a digital wallet account • Easy way to send money to someone else and to make payments	• Risk of phone being stolen • Risk of forgetting PIN/ password • Could create problems following your budget	• Transfer money to other people • Payment without physical contact • Bills payment

COMPARATIVE TABLE BETWEEN DIFFERENT BANK CARDS

CARD	PRE-PAID/CASH	DEBIT	CREDIT
Where can you use this card?	• ATMs from your bank and other networks. • In shops that accept card payments.	• ATMs from your bank and other networks. • In shops that accept card payments.	• ATMs from your bank and other networks. • In shops that accept card payments.
What can you do with this card?	• Check your balance • Withdraw money. • Pay for goods as long as you have money in your balance.	• Check your balance. • Withdraw and deposit money. • Pay for goods as long as you have money in your account. • Transfer money to other accounts. • Recharge your phone.	• Check your balance. • Withdraw and deposit money. • Pay for goods as long as you have money in your account. • Pay for goods even if you do not have money in your account at that moment. • Pay for goods in instalments. • Transfer money to other accounts. • Recharge your phone.
Charges are immediate or deferred?	• Immediate	• Immediate	• Deferred, you will pay at the end of the month the total of your purchases. You will not face interest charges as long as you pay in time and do not finance the balance.
Which are the costs/charges for using this card?	Depends on the offer of each provider. You should get all the information and compare.		



ADVANTAGES AND DISADVANTAGES OF MONEY TRANSFER OPERATORS

MONEY TRANSFER OPERATORS	ADVANTAGES	DISADVANTAGES
FORMAL	• Security (the money is safe, and the transfer is secure) • Long-term loans of large sums • Reliability • Confidentiality • Choice of products • Operates within the banking regulation framework, if declared officially • Enables you to build up a credit record and establish your solvency • Access to financial advice and other financial products • Speed (depending on the method) • Discretion (sometimes a mobile phone number is all you need to get the money)	• Remoteness, for people living far from towns and cities • Risk of being robbed as you leave the branch/agency • Restricted opening hours • Minimum amount requirements sometimes too high • Costs can be high • Having to wait at the counter • More difficult to use for people who are illiterate • Sometimes, lack of liquidity for transfers of large sums
INFORMAL	• Cost (depending on the method) • Access • Local availability • Speed (depending on the method) • Trust (you may be able to make the transfer via a local shopkeeper you have known for a long time) • No administrative procedures or forms to fill in	• No other financial services that your transfers of funds might entitle you to • Danger of receiver having to collect the money in an unsafe place (shop, public square, etc.): risk of theft or assault • Illegality of taking large sums in or out of a country (risk of the person carrying the money being arrested) • Risks of being robbed • Counterfeit money

F



GET TO KNOW FINANCIAL INSTITUTIONS AND USE THEM WITH CONFIDENCE

FINANCIAL QUIZ EDUCATION

F1. A financial institution is a public or private service that deals with financial operations such as savings, credit and payments.

- ☐ **a.** True
- ☐ **b.** False

F2. I have noted that there are more and more banks in this region:

- ☐ **a.** I should go and ask for information; they may have attractive savings or credit products for me.
- ☐ **b.** What is the use? These banks are only interested in rich people and large companies.
- ☐ **c.** I would like to go and check but I'm afraid they tell me off as I don't have a lot of money.

F3. What is the sentence that is not a principle of client protection that financial institutions are required to respect?

- ☐ **a.** Prevention of over-indebtedness.
- ☐ **b.** Fair and respectful treatment of clients
- ☐ **c.** Transparency
- ☐ **d.** Offering presents to the customers
- ☐ **e.** Responsible pricing
- ☐ **f.** Mechanisms of complaint resolution

Answers: F1:a; F2:a; F3:d

1. GET TO KNOW FINANCIAL INSTITUTIONS

DEFINITION

Financial institution: Public or private service that deals with financial operations such as savings, credit and payments.

DEFINITION

Banks are organizations approved by the State as credit institutions to perform banking operations: mainly receiving funds from members of the public, performing savings and lending operations, and providing payment services. Banks may be publicly or privately owned, specialize in deposits or investments, make products or act as cooperatives or mutual societies.

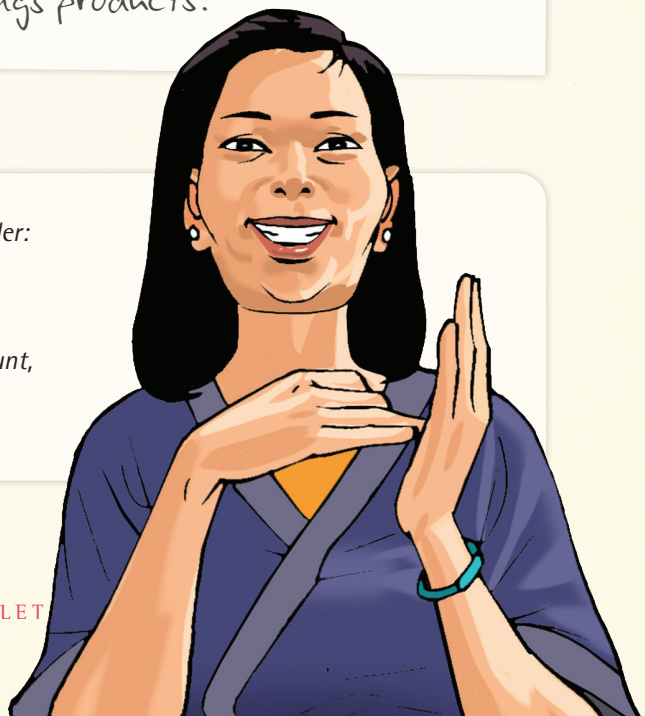
Microfinance institution is a financial institution specializing in banking services for low-income groups or individuals. Microfinance institutions provide account services to small-balance accounts that would not normally be accepted by traditional banks, and offer transaction services for amounts that may be smaller than the average transaction fees charged by mainstream financial institutions.

Finance companies are profit-making organizations approved by the State as credit institutions. They cannot take deposits from members of the public or offer savings products.

TIPS

To choose your financial institution well, you need to consider:

- *The financial institution's characteristics*
- *The characteristics of the products you need according to your goals that this institution might offer: type of account, payment methods, savings and credit products, transfer products, etc.*



TRAINING AID F.1.1

Questions to ask the financial institution

CHARACTERISTICS TO BE CONSIDERED IN CHOOSING A FINANCIAL INSTITUTION	QUESTIONS TO ASK
Characteristics of the financial institution • Geographical proximity • Reputation and trustworthiness of the financial institution • Provision and quality of non-financial services (business training, financial education, etc.) • Remote services (balance enquiries via Internet, spending alerts via SMS, telephone banking, etc.) and costs • Quality of service and staff (waiting times, respect for customers, languages spoken, speed of service, etc.) • If needed, conditions of joining the institution (subscription, frequency of meetings, decision-making powers of members...) • Transparency regarding charges and terms and conditions, quality of the information given to customers • Products designed for specific groups of customers (students, salaried employees, pensioners...) • Charitable works undertaken (solidarity fund, sponsorships, foundations...) • (For people sending or receiving transfers to/from a relative), presence of the institution in the relative's region and geographical proximity to their place of residence	
Characteristics of the financial institution's products (in this case, savings) • Access to savings/flexibility of withdrawals • User-friendliness • Conditions for opening a savings account • Safety • Interest rate • Possibility of accessing other products and services provided by the financial institution • Costs of saving (charges, penalties) • Liquidity • Ethical values of the product (sustainable finance, environmental, Islamic...)	

TRAINING AID F.1.2

Questions to ask the financial institution (with suggested answers)

CHARACTERISTICS TO BE CONSIDERED IN CHOOSING A FINANCIAL INSTITUTION	QUESTIONS TO ASK
CHARACTERISTICS OF THE FINANCIAL INSTITUTION	
Geographical proximity	• Is there a branch of the financial institution near me (near my house, my place of work or other convenient location such as my children's nursery)? • If I have a payment card, is there an ATM nearby (near my house, place of work or other convenient location, such as the gym...)?
Reputation and trustworthiness of the institution (questions to ask yourself or your friends/family)	• Does this financial institution have a good reputation? • What does my family think of this institution? • Does this financial institution inspire me with confidence? • Have I heard of problems relating to the institution in the press or through friends and family? • Do I know anyone who has had a problem with this financial institution? What sort of problem? How was it resolved?
Provision and quality of non-financial services (business training, financial education...)	• Do you offer training services for customers/ members? If so, on what topics? Who can take advantage of them? Are they free? • Are you involved in solidarity or sponsorship activities? • Are you involved in humanitarian activities? • Do you have advisors to help customers manage their investments and accounts?
Remote services (balance enquiries via Internet, spending alerts via SMS, telephone banking...) and costs	• Do you provide remote services? • Can a customer find out their balance online? • If so, is this service included free of charge when someone opens an account? If not, how much does the service cost? • Can I be notified of payments I have made by SMS?

CHARACTERISTICS TO BE CONSIDERED IN CHOOSING A FINANCIAL INSTITUTION	QUESTIONS TO ASK
CHARACTERISTICS OF THE FINANCIAL INSTITUTION	
Quality of service and staff (waiting times, respect for customers, languages spoken, speed of service...)	• What are the bank's opening hours? • What is the average waiting time before a customer is dealt with by a member of staff? • Do you have a nationwide ATM network? • Will I be charged if I withdraw money from another ATM (in another area, abroad, or belonging to another bank)?
TO BE DECIDED AT THE TIME OF THE VISIT	
If appropriate (mutual societies), conditions of membership	• Are there conditions for becoming a member of your financial institution? What are they? • How much is the subscription? Is it payable weekly, monthly, annually? • How often do members' meetings take place? • Is one obliged to attend these meetings? If so, what penalties apply if someone fails to attend? • What are the decision-making powers of the members?
Transparency regarding charges and terms and conditions, quality of the information given to customers (questions to ask yourself)	• Are the charges and conditions displayed on the premises of the financial institution? • Does the institution provide explanatory brochures or other means of information (website, etc.)? If so, did I get all the information I needed by reading the brochures/consulting the information? • Is the documentation provided easy to understand? • How does one open or close an account? How much does it cost?
Products designed for specific customer groups (students, salaried employees, pensioners...)	• Do you have any products or financial services designed especially for people like me? (young people, shopkeepers, employees, women, businessmen/women, etc.)
Charitable works undertaken (solidarity fund, sponsorships...)	• Is your institution involved in charitable works? If so, what are they? Who are the beneficiaries (children with disabilities, the sick, etc.)?
Presence of the institution abroad or in the region and geographical proximity to the place of residence of the relative sending or receiving money	• Is there a branch of the financial institution close to the place where my family lives (their home, place of work or other convenient location), as I will be sending and receiving money to/from them?

CHARACTERISTICS TO BE CONSIDERED IN CHOOSING A FINANCIAL INSTITUTION	QUESTIONS TO ASK
CHARACTERISTICS OF THE FINANCIAL INSTITUTION'S PRODUCTS (IN THIS CASE, SAVINGS)	
Access to savings/flexibility of withdrawals	• How often can I make withdrawals? • Is there a minimum amount per withdrawal? • Will I have to pay penalties if I make withdrawals from this savings account?
User-friendliness	• Do customers receive statements relating to their savings account? How often? • Do you offer a telephone and/or online banking service?
Conditions for opening a savings account	• What is the minimum deposit if I open a savings account? • What documents do I need to show you?
Security	• What insurance or guarantees are there for protecting customers' funds?
Interest rate	• What is the interest rate with this savings account? • How does the rate compare with that of other institutions? • How often is interest paid? • How is interest calculated? Is the rate fixed or variable?
Possibility of accessing other products and services provided by the financial institution	• By taking out a financial product, will I have access to other products and services? If so, what are they? At a more favourable rate?
Costs of saving (charges, penalties)	• What will it cost? (What charges are made for transfers, for withdrawals from ATMs) • What are the management charges for a savings account?
Liquidity	• Is it easy to withdraw funds? What is the procedure? • Can I withdraw the total amount if I want to? • Are there charges to pay if the funds are withdrawn before a certain date?
Ethical values of the product (sustainable finance, environmental, Islamic...)	• Does the financial product meet ethical standards? Which standards? • Does the product carry a label attesting to its compliance with these standards?

YOUR TURN

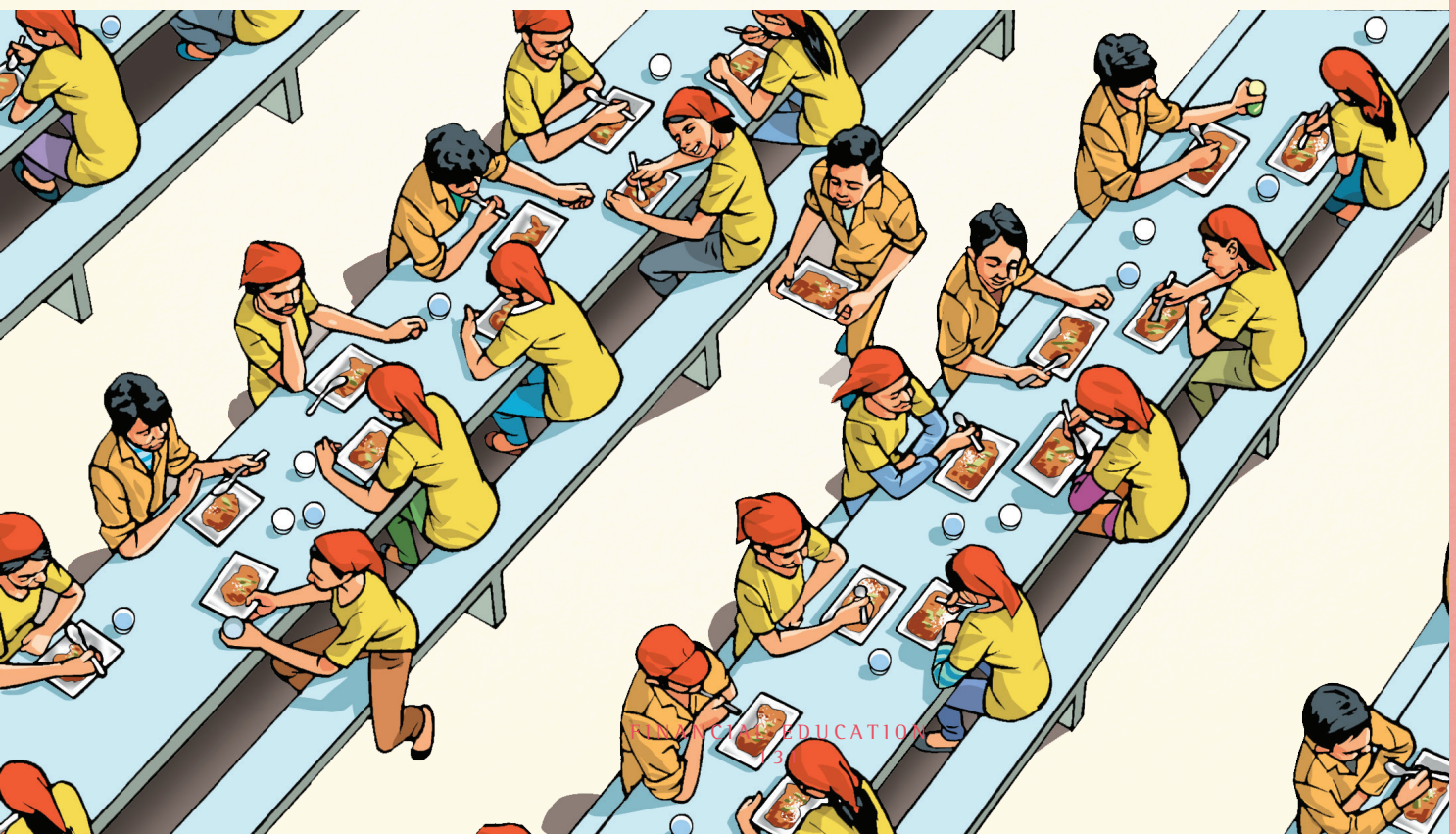
According to my goals, my personal situation, and my financial needs, I choose a financial institution with the following characteristics:

Example: close to my home

1. . . . . .
2. . . . . .
3. . . . . .

KEY MESSAGES

- To select a financial institution, you need to review its characteristics and products and choose those which best suit your needs.
- You can find the information on brochures of financial institutions and you can also ask questions to the institutions' employees.
- When you choose savings or credit products, keep in mind that the interest rate is the only one aspect to take into account among many others.



2. USE FINANCIAL INSTITUTIONS WITH CONFIDENCE!



Case Study N°1

NARY AND HER BROTHER SPEAK ABOUT FINANCIAL INSTITUTIONS

Nary drinks tea with her brother Chea. Chea had a bad experience with a bank: He went in to ask for information and was persuaded by a staff member to open an account, and he later discovered that the account had high fees. He also found out that he was paying for services he does not really use. He regrets having made a hasty decision. Nary explains that before opening her first bank account, she went into several banks and just asked for information, as suggested by some colleagues from the factory. It was difficult to say no to members of bank staff, but she was able to get a lot of information. In the end, she decided to open an account with one of the banks she had visited that offered her a basic account with low fees and which did not require a minimum balance. She suggested Chea to do the same. Chea says he thought there were no institution offering this type of accounts and decides to do a bit of research.

QUESTIONS

- **Why does Chea not trust financial institutions?**

You must know that as a customer of a financial institution, you have responsibilities, but you also have rights!

Let's learn about these rights!

⚠ **IMPORTANT: If you had a bad experience with financial institutions, it is possible that entrusting them with your money can cause you anxiety or stress. Inform yourself before making a decision. Remember: you have rights.**

TRAINING AID F.2.1

Descriptive cards

DESCRIPTIVE CARD N°1

I have to be filled in if you want to open a bank account. After you have filled me in, you must present your identity documents to a member of staff to complete the process. When you have filled me in and presented the necessary documents, you can go to the counter and deposit money in your account.

DESCRIPTIVE CARD N°2

I sit at a desk in the entrance hall of the agency. My job is to help customers to open bank accounts. I can give you an application form for opening a bank account. I can also help you decide which bank account best meets your needs. Ask me questions about the products we offer and the forms you have to fill. Ask me what documents you need to open an account. Don't ask me to take deposits or give you sums of money.

DESCRIPTIVE CARD N°3

I supervise all the staff and make sure they are working correctly. As well as the staff members you can see, I supervise those who are working behind the scenes in their offices, managing people's accounts and doing other things. Come and see me if you have problems that the other members of staff cannot sort out. Don't come and see me to open an account.

DESCRIPTIVE CARD N°4

My job is handling money and recording transactions. I take customers' deposits and issue them with cash when they make withdrawals. Customers must present proof of their identity and a correctly complete form before I can deal with them. You can ask me how much money you have in your account or whether a payment has arrived. Don't ask me to open a bank account for you.

DESCRIPTIVE CARD N°5

My job is to protect the bank, the bank staff and our customers. To do that, I need to keep an eye on everything that goes on in the bank. Don't ask me for information on how to open an account of fill in forms.

DESCRIPTIVE CARD N°6

I display information on the kinds of products offered by the bank and how much they cost.

DESCRIPTIVE CARD N° 7

I hold all the forms required for performing transactions. You will need my forms if you want to carry out banking business with the counter staff.

DESCRIPTIVE CARD N° 8

You will need to complete me in every detail and sign me if you want to withdraw money from your account.

DESCRIPTIVE CARD N° 9

You can use me to pay someone without the need for cash (i.e. banknotes or coins). When you complete and sign me, you are giving the bank permission to pay the person whose name appears on me. The bank will pay the person with money drawn from your account.

DESCRIPTIVE CARD N° 10

You will need to complete me in every detail, including your account number, if you want to pay money into your account.

At the end of this module, you will find the right answers in Answers to exercises.

KEY MESSAGES

- In order to select a financial institution, you need to review its characteristics and its products and choose the ones that are the most adapted to your needs.
- To review the characteristics and the products of a financial institution, it is important to review the brochures, leaflets as well as ask the right questions to the staff: feel free, it is their job to answer your questions!
- Entering a bank or another financial institution does not mean you have to commit to open an account; you can start by gathering information.
- Everyone can, in theory, access services from financial institutions (if you can provide the required documentations!): you need to find the institution that meets your needs the most.
- As a customer of a financial institution, you have rights!

Now we are going to practice completing a form to open a bank account. We will use a generic application form.

TRAINING AID F.2.2

Application form for opening an account

YOURBANK

BOX RESERVED TO

APPLICATION FOR OPENING AN ACCOUNT

ACCOUNT HOLDER 1	ACCOUNT HOLDER 2
PERSONAL SITUATION	PERSONAL SITUATION
Civil status: ☐ M. ☐ Mrs. ☐ Ms.	Civil status:
Surname:	Surname:
Names:	Names:
Residence address: Zip-code:	Residence address: Zip-code:
Town:	Town:
Country:	Country:
Family situation: ☐ Married ☐ Separated ☐ Divorced ☐ Widow ☐ Single	Family situation: ☐ Married ☐ Separated ☐ Divorced ☐ Widow ☐ Single
Maiden name:	Maiden name:
Date and place of birth:	Date and place of birth:
Nationality:	Nationality:
Phone (home):	Phone (home):
Phone (mobile):	Phone (mobile):
Email:	Email:
PROFESSIONAL SITUATION	PROFESSIONAL SITUATION
Monthly net income: ||||||||	Monthly net income: ||||||||
☐ Active ☐ Job seeker ☐ Student ☐ Retired	☐ Active ☐ Job seeker ☐ Student ☐ Retired

ACCOUNTS

☐ Individual current account ☐ Joint current account ☐ Savings account

BANK CARDS AND SERVICES

☐ ATM card
☐ Debit card
☐ Credit card
☐ Internet banking
☐ Insurance for means of payment

SIGNATURES

ACCOUNT HOLDER 1	ACCOUNT HOLDER 2	BRANCH MANAGER

Date :

TRAINING AID F.2.3

Using an ATM for withdrawing money

Now we are going to practice using an ATM, simulating a cash withdrawal from a savings account

STEP 1: INSERT ATM CARD



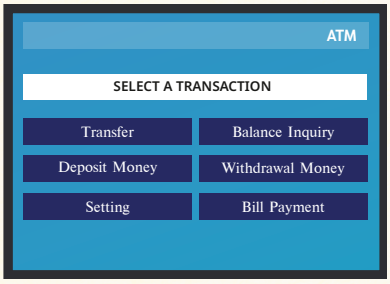
Insert your ATM card in the ATM machine (You may see a green slot or any kind of slot).

STEP 2: ENTER 4 DIGIT ATM PIN



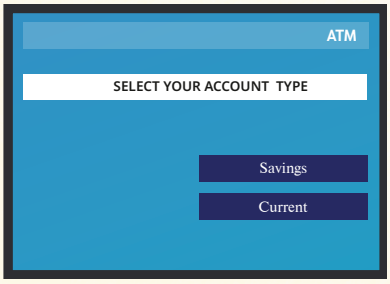
Using the keypad you have to enter your 4 digit password. But always remember that no one can see your password while you are entering it and also do not share this password with anyone. More than 3 times the wrong password, your ATM card can be blocked.

STEP 3: SELECT YOUR TRANSACTION



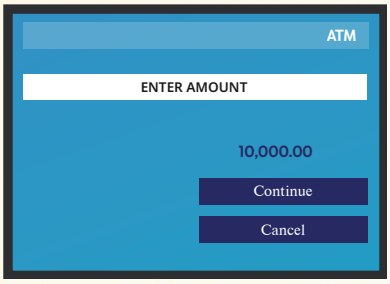
In this section, you can see many options on your display such as withdrawal money, transfer, balance enquiry, etc. In this case, you have to select withdrawal money.

STEP 4: SELECT YOUR ACCOUNT



In case your ATM card is connected to different bank accounts, you will need to select which bank account you want to make the withdrawal from.

STEP 5: ENTER THE AMOUNT



In this section, you have to enter your withdrawal amount and press enter.

But make sure your withdrawal amount does not exceed your balance in the account otherwise the transaction will fail.

STEP 6: COLLECT THE CASH



In this section, you have to collect your money from the lower slot of the machine.

STEP 7: SELECT ANOTHER TRANSACTION OR FINISH THE SESSION



In this moment you can select if you want to do another transaction or end your session. After pressing end your session make sure you take your ATM card.

You must know that as a customer of a financial institution, you have responsibilities, but you also have rights! Let's learn about these rights!



TRAINING AID F.2.4

Descriptive cards - Client protection principles

DESCRIPTIVE CARD

I am a garment worker.

Some months ago I contracted a loan from a nearby microfinance institution to buy a washing machine. Every month I need to pay a large installment. The payments are so high that I do not have money to send to my family at the beginning of each month like I used to do before having this loan. I am very worried about their health and well-being.

Is it normal?

FINANCIAL EDUCATION

DESCRIPTIVE CARD

I have already contracted two loans with the bank: one for a house purchase, the other to cover the costs of a religious ceremony last year.

Now, I would like to buy a small motorbike so I can get around more easily. My bank is refusing to give me a third loan.

Is this normal?
What can I do about it?

FINANCIAL EDUCATION

DESCRIPTIVE CARD

I am a customer of a financial institution.

I have tried to make sense of the terms and conditions and charges associated with a savings product, but the brochure they have given me is in very small print and I do not understand all the terms used.

What should I do?

FINANCIAL EDUCATION

DESCRIPTIVE CARD

I have a current account and a savings account with a financial institution.

I am unhappy because I have to pay high management charges for my current account, whereas my deposit account pays only a very low rate of interest.

This seems to be unfair.

Is this normal?

FINANCIAL EDUCATION

DESCRIPTIVE CARD

I am heavily in debt and unable to make further loan repayments because I've just lost my job.

I'm afraid of what the bank might do if fail to make the repayments.

Could they come to my home and take my possessions or those of my family, or worse?

FINANCIAL EDUCATION

DESCRIPTIVE CARD

I strongly disagree with my bank about something that has occurred.

Who can I turn to? Is there anyone at the bank who can help me?

FINANCIAL EDUCA

DESCRIPTIVE CARD

The bank employee who looks after my personal current account knows that I received a large sum of money last month.

Can he discuss it with a member of my family without my permission?

FINANCIAL EDUCATION



Appropriate product design and delivery

Financial institutions should ensure that their products and distribution channels are designed in such a way as not to harm their customers' interests. They should take into account their customers' characteristics when designing their products and distribution channels.

Prevention of over-indebtedness

Yes, it's perfectly normal. There is no such thing as a right to borrow money. By preventing its customers from getting heavily into debt, the bank is protecting you. This principle requires that financial institutions take measures to ensure that loans are granted only if borrowers can prove they are able to repay, and that loans do not put the borrowers at risk of getting heavily into debt.

Transparency

You should ask the bank staff for further information. This is your right, and financial institutions are bound to comply with the principle of offering a clear and responsible system of charges. In other words, the charges and conditions associated with financial products must be written clearly and communicated in a language that is easy for customers to understand.

Responsible pricing

Ask your advisor at the bank for more information. Financial institutions must ensure that their charges, conditions and procedures are affordable for customers, while enabling them as businesses to make a reasonable profit. Financial institutions should make every effort to ensure that funds deposited with them yield a fair rate of interest.

Fair and respectful treatment of clients

Financial institutions are bound to treat their customers fairly and respectfully. They must not practice discrimination in any form. They must ensure that adequate measures are in place to detect and remedy instances of corruption and any aggressive or abusive behavior on the part of their agents and staff, especially when making loans and recovering debts.

Mechanisms for complaint resolution

Financial institutions must have mechanisms for intervening in a timely manner in the event of problems and complaints on the part of their customers. They must use these mechanisms to resolve individual problems and to improve their products and services.

Privacy of client data

Confidentiality regarding a customer's personal data must be respected in accordance with the laws and regulations of individual countries' legal systems. Such data may be used only for the purposes defined when it was given and as legally permitted, unless agreed otherwise with the customer.



ANSWERS TO EXERCISES

TRAINING AID F.2.1

Descriptive cards

ANSWERS DESCRIPTIVE CARD N°1

Application form
for opening an account

ANSWERS DESCRIPTIVE CARD N°2

Customer service agent

ANSWERS DESCRIPTIVE CARD N°3

Branch manager

ANSWERS DESCRIPTIVE CARD N°4

Bank clerk

ANSWERS DESCRIPTIVE CARD N°5

Security guard

ANSWERS DESCRIPTIVE CARD N°6

Display board

ANSWERS DESCRIPTIVE CARD N°7

Document display shelves

ANSWERS DESCRIPTIVE CARD N°8

Withdrawal slip

ANSWERS DESCRIPTIVE CARD N°9

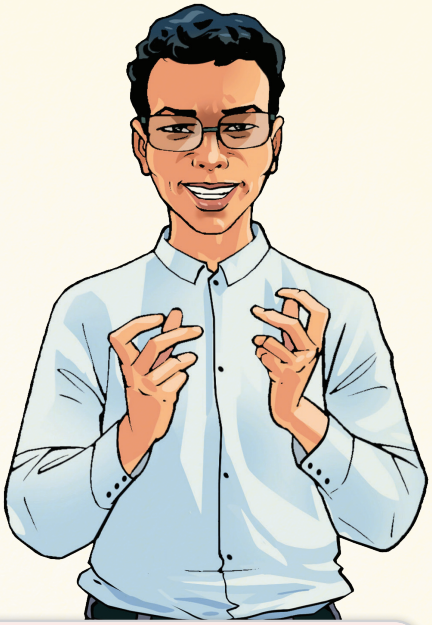
A cheque

ANSWERS DESCRIPTIVE CARD N°10

Deposit slip

TRAINING AID F.2.5

With solutions



DESCRIPTIVE CARD

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Is this normal?

FINANCIAL EDUCATION

CLIENT PROTECTION PRINCIPLES APPLIED

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I'd now like to buy a small motorbike so I can get around more easily. My bank is refusing to give me a third loan. Is this normal? What can I do about it?

What can I do about it?

FINANCIAL EDUCATION

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DESCRIPTIVE CARD

I strongly disagree with my bank about something that has occurred. Whom should I turn to?

Is there someone at the bank who can help me?

FINANCIAL EDUCATION

CLIENT PROTECTION PRINCIPLES APPLIED

Mechanisms for complaint resolution.

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DESCRIPTIVE CARD

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Can he discuss it with a member of my family without my permission?

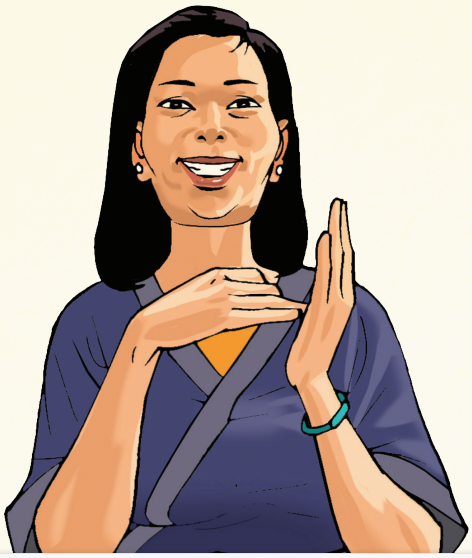
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G

RISK MANAGEMENT AND INSURANCE

FINANCIAL EDUCATION QUIZ

G1. Which of the following sentences is not related to a risk?

- ☐ **a.** Run into bankruptcy.
- ☐ **b.** Be sad.
- ☐ **c.** Have a work accident.
- ☐ **d.** Be victim of a fire.

G2. The list below shows protection measures against risks, except one, which one?

- ☐ **a.** Have savings.
- ☐ **b.** Subscribe to an insurance.
- ☐ **c.** Send money.
- ☐ **d.** Use a mosquito net.

G3. Insurance offers a protection against the possibility of a loss.

☐ **a.** True ☐ **b.** False

G4. What is an exclusion?

- ☐ **a.** A Document given to the policyholder by the insurance company that states the terms and conditions of the insurance contract.
- ☐ **b.** Specific condition, circumstance, or situation usually listed in a contract as being not covered.
- ☐ **c.** A request for payment for a loss that is covered by the policy.

Answers: G1: b; G2: c.; G3: a; G4: b

1. MANAGE RISKS

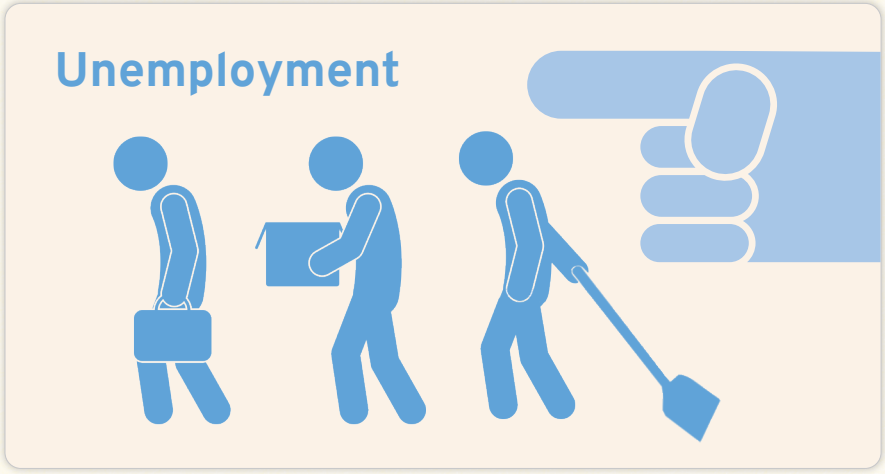
A risk is a more or less foreseeable danger that can have a damaging impact on us or on our family. Risks have different probabilities to happen and their consequences are different, from minor to very serious, depending on the nature of the risk and of the characteristics of the people or places that are affected.

DEFINITION

A danger is a situation in which there is the possibility or threat that something unwelcome or unpleasant happen.

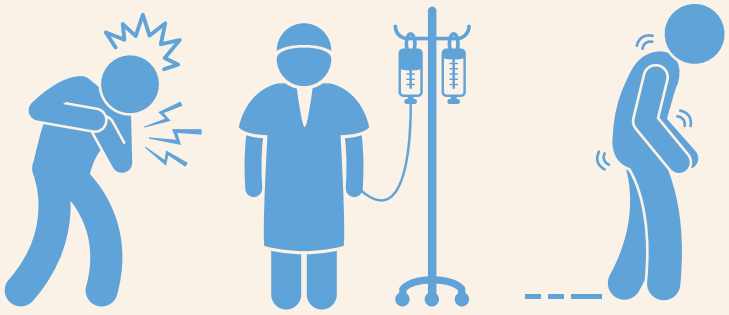
TRAINING AID G.1.1

Risk cards





Sickness



A death



Fire



Taking into account the risks that you and your family can face, write the risks in the boxes according to their frequency (probability to happen) and their costs. As an example, death is something that happens very rarely (once!) but it has very high costs for the family.

		COSTS		
		Not very significant	Fairly significant	Very significant
FREQUENCY	Rare			Example: death
	Medium			
	Frequent			

As you can see, the various risks are more or less likely and may have different consequences, from minor to very serious, depending on the nature of the risk and the characteristics of the person or places affected.

REMEMBER

There are different protective measures you can take to protect yourself:

- Eliminating/avoiding the risk (e.g. by brushing your teeth).
- Transferring the risk to a third party (a mutual benefit association or insurance company).
- Predict the impact of risk and prepare against it (by saving, for example).



There are different measures you can take to protect yourself and your family against this risk. Write these measures under an umbrella!

TRAINING AID G.1.2

My umbrella



KEY MESSAGES

- Risks are inherent to life.
- Some risks can be foreseen, and you need to take measures so that their impact will be lower.
- It is essential to have an emergency fund so that minor emergencies do not affect you too much; saving is key to reducing your vulnerability.
- For other emergencies, personal savings might not be enough: you need to use insurance.
- You need to take measures to protect yourself and your family.

2. TIPS TO CREATE YOUR EMERGENCY FUND

- Start putting money aside for personal emergencies on a daily or weekly basis, even if the amounts are small. Little by little, your fund will grow.
- Keep your money in a safe place, preferably out of the house, so no one can get at it. Opening a savings account, if possible, could be a good idea.
- Save varying amounts, depending on how much you are paid on any particular occasion. It is not necessary that you always save the same amount.
- Do everything you can to cut out unnecessary expenditure. Everyone can save, however little they earn, if only a small sum.



Case Study N°1

SOPHEAP'S EMERGENCY FUND

Sopheap has decided to build her emergency fund. To do it, she decides to create a table that indicates all her during the last year.

The table looks like this:

Sopheaps Family income over one year

Month	Amount (USD)
January	270
February	270
March	290
April	290
May	300
June	270
July	270
August	270
September	300
October	310
November	270
December	310
Total	**3,420.00**

Questions about Sopheap and her family:

- What is the total amount Sopheap's family earn over a 12-month period (consider there might be fixed and variable income)?
- What is the family's average monthly income?
- What is the total amount they need to set aside in an emergency fund?

REMEMBER

Your emergency fund is intended to cover expenditures for relatively minor emergencies. Most of you will not be able to put money aside for major emergencies, such as a long course of medical treatment or a death in the family.

If you plan for emergencies, you are more likely to achieve your goals. If you have an emergency fund, you will avoid having to draw on the savings you have made for starting a business, making home improvements, investing in education (yours or your children's). And you will avoid having to borrow and pay a high rate of interest.

3. UNDERSTAND YOUR INSURANCE POLICY

INSURANCE: What is the idea?

The principle of insurance is to defend ourselves against a risk we may face (accident, illness, theft, etc.) and to set aside some money to receive a compensation the day the event will occur.



DEFINITION

Insurance is a form of protection, for anyone who has subscribed to an insurance contract, in the form of monetary compensation as a result of an accident or of any event covered by the insurance.

Mutual benefit association: a mutual benefit association is a non-for profit organization that is owned collectively by its members. It provides insurance to its members and acts in their best interest.

Insurance company: an insurance company is a business that provides insurance services. Its goal is to make profits.

Case Study N°2

BORAN INJURES HIS HAND



Boran has been working in the warehouse for almost two years now. While opening a box with a cutting tool, he accidentally injured his finger. He did his best to stop the bleeding and bound up the wound. He tried to ignore the pain, but that evening at his small room where he sleeps, he realized his finger was badly swollen. The next day, his finger hurt a lot but he went to work his usual shift. It was the first time something like this happened to him.

At the lunch break, Boran was in a lot of pain and told his new colleague Vibol that he will go to the factory clinic. Vibol was surprised as he did not know workers had this option. He was under the impression workers should avoid going to the factory clinic or say anything to their bosses for fear of them getting angry. Boran explained to Vibol that workers of this factory have access to a primary health care service within the factory that is open during working times. He explained Vibol that he had the right to go to the clinic and get checked if needed. In case he had something more serious, the medical staff could refer him to a specialized doctor or hospital, at no cost for him as they would be covered by the state insurance. If needed be, he would also be entitled to sick leave. All of this was written in his contract.

Case Study N°3

CHEA, NARY'S BROTHER, INJURES HIS FOOT



Chea sometimes works at the car repair shop close to their house. One day at work, Chea dropped a heavy tool on his foot and broke his toe. He did his best to stop the bleeding and bound up the wound. He tried to ignore the pain, but that evening his toe was badly swollen. He went to work the next day but was in a lot of pain. He did not say anything to the shop owner for fear of him losing this opportunity of working sometimes, when there is a lot of work at the shop. He was also afraid that, if he went to the hospital, he would not be able to pay for the X-rays, bandages and medicines. He was worried. What would happen if he needed expensive medicines or had to pay to see the doctor? What should he do? One colleague from the repair workshop told him that the repair shop is not registered with NSSF and Chea never received a NSSF card since he started working. As he had no idea about insurance policies, he asked Nary to lend him some money and he was able to get treatment. He would like to avoid having to borrow money if something similar were to happen again.

⚠ IMPORTANT: **Sometimes our stress can have an impact on our body.**

If money management worries you this can result in physical health problems.

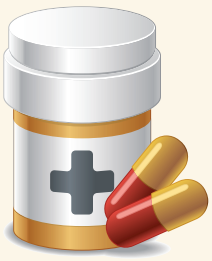
TRAINING AID G.2.1

Treasure Pot Game playing cards

TREASURE POT GAME

3 Tokens







MEDICINES

FINANCIAL EDUCATION

TREASURE POT GAME

7 Tokens







HOSPITAL

FINANCIAL EDUCATION

TREASURE POT GAME







GOOD HEALTH

FINANCIAL EDUCATION

TREASURE POT GAME

4 Tokens







DOCTOR

FINANCIAL EDUCATION

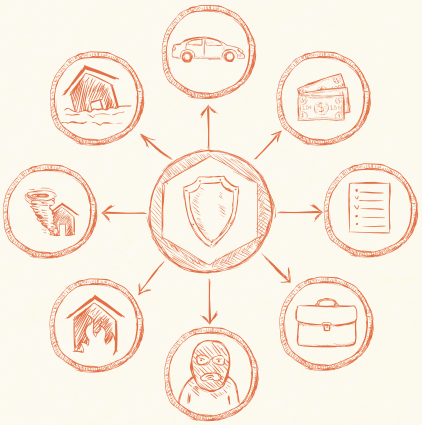
Game
THE TREASURE POT

You never know when or how much you will have to pay for your health. Sometimes the health expenses are so large that they go beyond our financial capacity. This is the reason why it is important to pool risks through a subscription to insurance.

The secret of risk pooling lies on the fact that we all contribute with a part of our resources to a common pot. We do not need to draw from this pot all at the same time. However, insurance works only if all contribute together.

You need to pay in advance to be sure to have access to healthcare services, those covered by the insurance. The extent of the healthcare services you can access depends on the level of your contribution. The more you contribute, the more services you have access to.

KEY MESSAGES



- Insurance: a tool for income preservation and social protection.
- To be insured is to prevent risks.
- Insurance: pooling of risks.

Attention: Workers who work for formal enterprises (an enterprise registered with the State and that pays taxes) and receive a salary from their employer are often covered by insurance. But they often don't know what it covers and how to use it. Insurance mechanisms and terms used can be complicated so it is important to feel confident to ask questions.

REMEMBER

Knowledge is power. You should know what insurance is (events covered, premium payments, how to make a claim). Always keep your insurance card with you, if you have one.

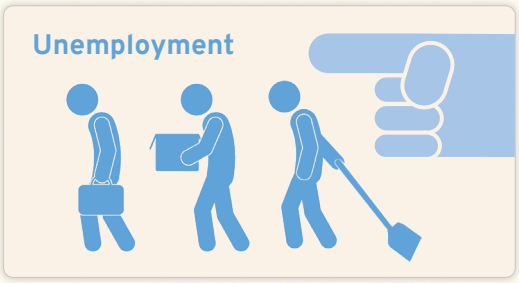


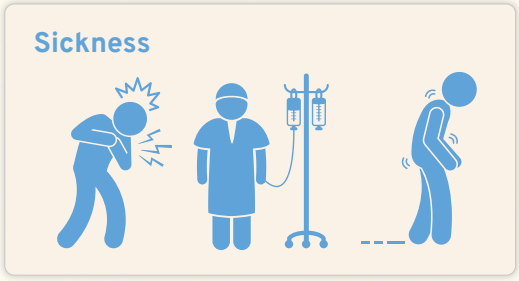
4. USE YOUR INSURANCE POLICY

People face many different risks in the course of their life and each period of their lives comes with a number of different risks. Some risks are general and may happen to anyone. Other risks may be specific to categories of people.

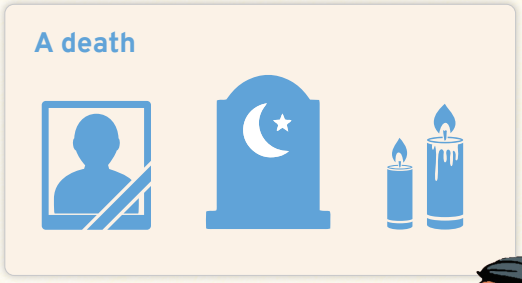
TRAINING AID G.3.1

Risk cards













QUESTIONS

- Do you have an insurance policy? If you don't, would you like to have one? ☐ Yes ☐ No
- Do you know the key insurance terms? ☐ Yes ☐ No

Let's review the key terms and definitions

BASIC INSURANCE TERMS	
Compensation or pay-out	*The amount the insurance company pays to the insured person when the event against which they are insured (often referred to as the risk: accident, fire, illness, etc.) has occurred, subject to presentation of a valid claim.*
Policy	*The agreement between the insured (the customer) and the insurance company. The policy sets out the terms, conditions, duration, risks covered and exclusions.*
Premium	*The price or cost of an insurance policy, often split into monthly or quarterly instalments.*
Insured (person) / member / beneficiary	*The person who receives the insurance pay-out when a risk covered by the policy arises.*
Claim	*Request for compensation following a loss covered by the insurance policy*
Insurance card	*Card issued by the insurance provider as proof that the policyholder has paid for a premium.*

To make a successful claim you should follow some steps. Remember you will need to fill in a claim form and send all the necessary documents.



TRAINING AID G.3.2

Stages in making an insurance claim

STAGES IN MAKING AN INSURANCE CLAIM

Complete the claim form as soon as possible after the damage/loss occurred (within 12 months, depending on the terms of the policy).

FINANCIAL EDUCATION

STAGES IN MAKING AN INSURANCE CLAIM

Submit the required documents: letter of claim signed by the policyholder, membership card, photocopy of your identity document, etc.

FINANCIAL EDUCATION

STAGES IN MAKING AN INSURANCE CLAIM

If you get paid less than you expected, make your complaint heard, find out why and try to address it.

FINANCIAL EDUCATION

STAGES IN MAKING AN INSURANCE CLAIM

Verify that the compensation paid matches the benefit you should be paid.

FINANCIAL EDUCATION

STAGES IN MAKING AN INSURANCE CLAIM

If you do not get paid within seven days (or the time set in the insurance policy), contact the insurance company again to check on progress.

FINANCIAL EDUCA



KEY MESSAGES

- In order to find the insurance product that best meets your needs, you first need to identify the risks you and the persons you want to insure face.
- Insurance uses specific terms - You should learn them well in order to understand the available insurance products and make informed choice.
- Each insured risk may require different documentation when making a claim.

5. CHOOSE YOUR RIGHT INSURANCE PRODUCT

We are now going to help our characters to solve some doubts they might have about the health insurance policies they have hired.

TRAINING AID G.4.1

Health insurance case studies

CASE STUDY #1 Sopheap's father

Sopheap is part of the health insurance scheme provided by the National Social Security Fund (NSSF) because that is a benefit that all workers of the factory received. This weekend when she was walking at the market, she twists her ankle. Despite this is a non-work injury, Sopheap is pretty sure she can still use her health care scheme.

- **Can Sopheap be treated at no cost despite this accident not being work-related? Why?**

CASE STUDY #2 Nary

Nary's former colleague just called her to tell her she is expecting a baby. Nary is very happy about it. Her colleague asks her if she knows whether she is entitled to paid maternity leave, despite she does not work at the factory anymore. Her colleague tells her that she got pregnant during the months she was working there.

- **Is Nary's colleague entitled to paid maternity leave? Why?**

CASE STUDY #3 Raksa

Raksa had a little accident while working. The doctor at the factory clinic told her to do x-rays to make sure her finger is not broken. Raksa fears that she will not be able to pay for the x-rays, as she heard from her cousin they are expensive. She has doubts whether her health insurance offered through her employer will cover the costs.

- **Will Raksa's insurance cover the cost of the x-rays? Why?**

KEY MESSAGES

- Insurance may look complicated. But, now that you understand the basics, you can evaluate if the protection your insurance offers is worth the cost.
- If you want to purchase a health insurance policy, you will have to decide which family members to include in the policy. Some policies charge extra premiums for each family member you add to the policy. Some offer a basic package for a family of four, and charge extra for any more family members.
- It is very important to learn the rules that each policy uses to calculate the premiums for insuring your family.
- Insurance policies are not all the same. It is important to understand the policy and its conditions before subscribing to it. Be confident to talk to an insurance agent, your employer or your trade union representative if you have any doubts.
- If you're interested in buying an insurance policy, or if you have any question, immediately talk about it to an insurance agent, your employer, or your union representative.

NOTES

ANNEXES AND KEY DOCUMENTS

CHALLENGES IN PUTTING MONEY ASIDE FOR AN EMERGENCY FUND	ADVICE
I prefer to give all my earnings to my parents and family (family obligations particularly strong in the case of young people and migrants)	• Save for personal emergencies so you can take care of yourself when your family can't help you (especially for those living far from home). • Start putting money aside for personal emergencies on a daily or weekly basis, even if the amounts are small. Little by little, your fund will grow.
When I keep money in my room, I'm afraid it might be stolen or lost.	• Keep your money in a safe place, preferably out of the house, so no one can get at it. • Open a savings account (for an emergency fund, the best solution is a flexible saver, which means you can withdraw your money at any time).
My income is irregular (e.g. seasonal).	• Save varying amounts, depending on how much you are paid on any particular occasion.
I have to use all my disposable income to pay off debts.	• Draw up a timetable for paying off your debts, starting with those on which you pay the highest interest. • At the same time, start putting money aside for personal emergencies on a daily or weekly basis, even if the amounts are small. Your savings will grow.
I can barely cover my basic needs.	• Do everything you can to cut out unnecessary expenditure. • Everyone can save, however little they earn, if only a small sum (mention a small amount in the local currency that could put aside each day, week or month).

ANSWERS TO EXERCISES

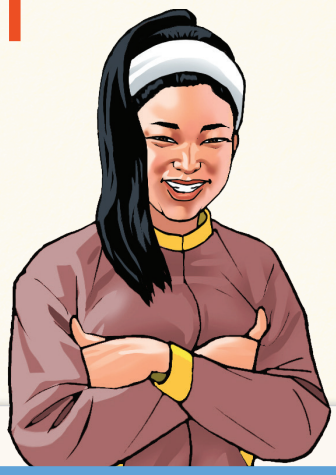
TRAINING AID G.4.1



SOLUTION CASE STUDY #1

Can Sopheap be treated at no cost despite this accident not being work-related? Why?

Yes, Sopheap can be treated despite this accident not being work-related. The Health Care Scheme reform as of 2016 protects workers also for non-work injuries.



SOLUTION CASE STUDY #2

Is Nary's colleague entitled to paid maternity leave? Why?

No, the paid maternity leave benefit is only applicable while you are still an employee of the factory. If you are not working anymore this benefit is not applicable under the health insurance scheme provided by the NSSF.



SOLUTION CASE STUDY #3

Will Raksa's insurance cover the cost of the x-rays? Why?

Raksa should not be afraid. The Health Care Scheme for workers covers the costs of this expense. The Medical Care Services cover all cost related to diagnosis, laboratory, medical imagery and other medical screening services.



EXTRA



PENSION AND LONG-TERM PLANNING

FINANCIAL EDUCATION QUIZ

Extra1. The list below shows ways to plan for retirement except one, which one?

- ☐ **a.** Savings.
- ☐ **b.** Pension schemes.
- ☐ **c.** Investments.
- ☐ **d.** Spending most of my money in things I want but I do not need.

Extra2. The National Social Security Fund (NSSF) is the public organization that manages and administers the pensions in the country

☐ **a.** True ☐ **b.** False

Extra3. Planning for old-age and retirement is:

- ☐ **a.** Contribute as much as possible to the pension system and hope it is enough for when you are old.
- ☐ **b.** Try to save a lot of money in different bank accounts, with the higher interest rate.
- ☐ **c.** It's the process of determining retirement income goals and the actions and decisions necessary to achieve those goals.

Answers: Extra1: d; Extra2:a; Extra3:c

1. PLAN YOUR RETIREMENT

In our society people retire either voluntarily or are forced out of employment. Some people do not stop work completely because they do not plan early enough for their retirement. Transitioning from working life to retirement needs careful financial planning and decision- making, and this as early as possible in one's professional life.

DEFINITION

Retirement planning is the process of determining retirement income goals and the actions and decisions necessary to achieve those goals. Retirement is the stage where a person stops working. Retirement planning includes identifying sources of income, estimating expenses, implementing a savings program and managing assets.

Case Study N°1

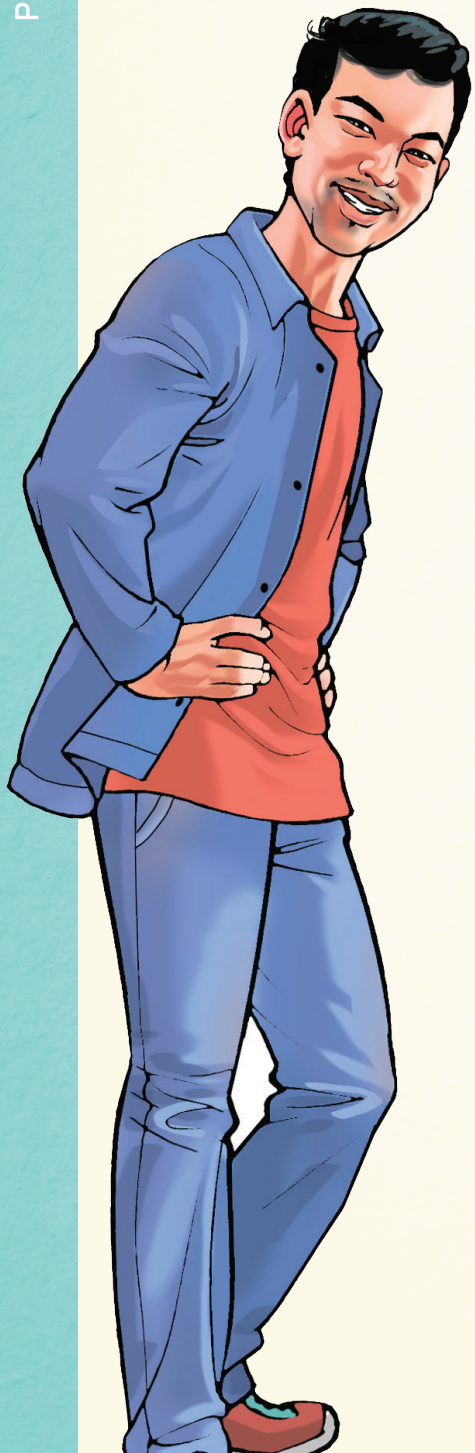
RANY APPROACH TO RETIREMENT

Rany has never planned for her retirement. Some time ago she was over-indebted, but she was able to recover from it thanks to the tips of her colleague Raksa. Rany got her finances in order and slowly started taking more care of her expenses. She never again took a loan to repay another loan. However, when it came to think about her retirement, Rany would never plan for it. She would always say: "It is far better to do only what you love and do not worry so much about the future". As time passed by, Rany started earning a good salary at the factory but was also spending a lot of money. Time has passed by and now Rany starts thinking she would like to start working a bit less. She never dared to think about setting some money apart for when she gets old and she is increasingly worried about this.



Getting ready to retire

1) Pay off your debts
2) Convert your savings into income
3) Calculate your monthly income
4) Make a budget
5) Review your insurance needs
6) Know your rights and responsibilities with regards to NSFF



REMEMBER

You have different ways to increase your income or lower your expenses in retirement. Working part-time, moving to a less expensive region or downsizing the size of your house are some ideas that can help you balance your budget.

KEY MESSAGES

- There are many ways to plan for retirement: savings, pension schemes, retirement plans, assets, insurance and investments.
- Always take into account your goals and your preferences when you think about your investments for old-age.
- Once you are retired, having extra sourcew of income may help you to have a more comfortable life.
- An early and diversified retirement plan is key for your financial independence once you retire.
- Saving for retirement is long term investing.

TIPS

Being paid digitally as of today can help you to have records of your wage payments and contributions to the pension system of the NSSF. When you retire, if you face troubles to access your retirement benefits, you can show the records as a proof of contributions.

Pensions are part of the national social protection scheme of every country. Usually, they are very complex to understand and the information to be provided here serves only the purpose of a quick introduction to it.

In 2021, the Government of Cambodia issued a new decree that has changed how the pension system works for most of the workers in the country. The idea is to move towards a social protection system that includes more people.

First, it is important to understand that the National Social Security Fund (NSSF) is the public organization that manages and administers the pensions in the country. The Social Security Scheme on Pension (SSSP) establishes the mechanisms, conditions and formalities of contribution rates of the pension system for workers in the country.

The SSSP provides four benefits: (i) old age pension, (ii) invalidity pension, (iii) survivor pension and (iv) funerary allowance.

The main changes introduced in this new regulation are that employees beyond the public sector can access the pension scheme through two main ways:
1. The compulsory contribution scheme: This scheme is to be used by all companies employing one or more employees. They are obliged to collect and pay the monthly contribution of their employees. The contribution is to be paid equally by the employer or owner of the company and the employee.

2. The voluntary contribution scheme: This scheme is a contribution payment to be made by members of the NSSF who are qualified to participate. There are different benefits and contributions.

If you are employed in the private sector, both your employer and you should contribute to the National Social Security Fund (NSSF). It is a compulsory contribution by the laws of Cambodia. It is always important to get your statement from NSSF to ensure that your money is being saved every month. You will have your contributions paid to you when you:

- Are properly registered under the pension scheme.
- Are at least 60 years old.
- Have paid contributions for at least 12 months.

While this might not be fully explained to you yet, make sure to speak with the workers representative, trade union and/or HR department so they can explain you your contributions.

DEFINITIONS

GENERAL

GOAL

- A goal is something you want to do in the future.

FORMAL/INFORMAL

- In general, something that is formal respects the forms, meaning that it fits into a framework, a structure, or a law. It is also something that is legitimate and recognized by an authority.
- Unlikely, something that is informal will not be subject to strict and official rules or framework. For example, the informal sector gathers businesses that are not registered and do not pay taxes.

BUDGET

- A budget is a tool to decide, to plan and to use your money to achieve your goals.

EMPLOYMENT CONTRACT

- A (legal) agreement between employer and worker that specifies the duties and responsibilities and benefits for both parties.
- A contract should include a description of duties, responsibilities and rights. It specifies employment and working conditions, such as pay, hours of work, etc.
- A contract is an agreement between two parties that both parties sign of their own free will. An employment contract should preferably be in written form, in a language understandable to both parties, signed by both parties and a copy given to each party.

FINANCIAL INSTITUTION

- A financial institution is a public or private service that deals with financial operations such as savings, credit and payments.

SAVINGS AND CREDIT COOPERATIVE

- A Savings and Credit Cooperative is a democratic, unique member driven, self-help cooperative that strive to meet the financial needs of its members. It is owned, governed and managed by its members.

SAVINGS ACCOUNTS

A REGULAR SAVINGS ACCOUNT

- A regular or passbook savings account (also known as demand deposit account) in a financial institution allows the account holder to make deposits or withdrawals at any time. The amount and timing are not set in advance. The savings are remunerated according to an interest rate (usually annual). This savings account usually cannot be used to make direct payments.

CONTRACTUAL SAVINGS ACCOUNT

- A contractual savings account links the savings made to the achievement of a specific project. In this kind of account the holder commits to make regular payments and / or that the funds are frozen for a given period. The remuneration rate pay is usually fixed in advance. Examples of contractual savings accounts include housing savings plans intended to finance a real estate investment. Many banks call this product installment deposit account and you do not need to specify your goal beforehand.

TIME DEPOSIT ACCOUNT

- A time deposit account in a financial institution allows the account holder to deposit a lump sum, which he/she promises not to touch for a specific period of time. The client can choose from a range of possible terms. Since this type of account presents constraints (duration and amount blocked) for the client, it usually pays the highest interest of any savings product.

CREDIT

INTEREST RATE
- The amount of money that the borrower pays to the lender, in addition to the loan amount, for use of the money of the lender.

PRINCIPAL
- The original amount of the loan, without interest.

LOAN TERM
- The period of time that the borrower has to use the loan money and repay it.

COLLATERAL
- An item of value that the borrower will have to give to the lender in case the borrower is unable to repay the loan (could be land, vehicle, savings, etc.).

GRACE PERIOD
- Period after receiving a loan and before the first payment is due.

RETHINK
- Cancellation of the credit contract. In some countries the loan agreement is not legally binding until several days or weeks after signing. During this period no payment can be made from the lender to the borrower. It ensures an efficient protection against impulse buying.

EARLY REPAYMENT
- The borrower is always free to repay all or part of his/her debt before the expiration of the loan agreement, and that without incurring penalties.

GUARANTOR
- A person who will repay your loan in case you cannot pay; this person may be required to co-sign your loan agreement with the lender.

OVER-INDEBTEDNESS
- The inability for a person to cope with his or her personal debts.

PAYMENT METHODS

CASH CARD
- A cash card is given to you by your bank and allows you to get cash from your account using a special machine called an Automated Teller Machine (ATM) or cash dispenser. In addition to withdrawing cash from your account, you can use an ATM to find out your account balance, transfer money from one account to another, and make deposits into your account. Some ATMs also sell postage stamps or airtime credits or allow you to pay some invoices (electricity...). Each bank has its own network of ATMs but often you can use your bank card to withdraw from any ATM whether the ATM belongs to your bank or not. However, your bank may charge you a fee each time you use an ATM that is part of another bank's network.

DEBIT CARD
- A debit card is another way to make banking transactions electronically. In addition to using it to withdraw money from ATMs, you can use a debit card to pay for goods you purchase in many stores. You must have the money in your account at the time of purchase. The amount of your purchase is deducted immediately from your account. You will regularly receive a regular statement from the bank, showing the total amount deducted from your account and your remaining balance.

CREDIT CARD
- In general, a credit card allows you to carry out the same transactions as cash and debit cards. The major difference is that it also enables you to access instant credit. In other words, if you do not have money in your account, you can

still make the purchase by taking out a loan from the institution that sold you the credit card (financial institutions but also supermarkets, department stores, others).

- Depending on the features of your credit card contract, the amount of your purchase will be deducted from your account (in one or more instalments, at an interest rate that is often much higher that standard credit products). You will receive a regular statement from the institution that issued the credit card, showing the total amount to be repaid, the amount already paid off and the interest rate.

MONEY TRANSFERS

INFORMAL MONEY TRANSFER SERVICE PROVIDERS

- These organizations are not regulated or supervised by the government. This type of provider includes retail shops, friends and couriers.

FORMAL MONEY TRANSFER SERVICE PROVIDERS

- These organizations are regulated or supervised by the government. This type of provider includes money transfer operators (MTOs), banks, microfinance institutions, savings and credit cooperatives, and mobile phone providers.

RISK AND INSURANCE

RISK

- A risk is the possibility of a loss or injury.

INSURANCE

- Insurance is a form of protection, for anyone who has subscribed to an insurance contract, in the form of monetary compensation as a result of accidents or any event covered by the insurance.

INSURANCE COMPANY

- An insurance company is a business (profit oriented) that provides insurance services.

MUTUAL BENEFIT ASSOCIATION (COOPERATIVE)

- A mutual benefit association (cooperative) is a non-for-profit mutual organization, which provides insurance to its members.

POLICY

- Document given to the policyholder by the insurance company that states the terms and conditions of the insurance contract.

PREMIUM

- The money a policyholder pays to the insurance company to activate the insurance policy and keep it valid.

BENEFITS

- The money that the insurance company pays to either the person who submits the claim or to his or her beneficiary.

BENEFICIARY

- The person who receives the insurance money when an insured event occurs.

CLAIM

- A request for payment for a loss that is covered by the policy.

INSURANCE CARD

- Card issued by the insurance provider as proof that the policyholder has paid a premium.

EXCLUSION

- Specific condition, circumstance, or situation usually listed in a contract as being not covered.

TRAINEE'S BOOKLET

ILO FINANCIAL EDUCATION FOR GARMENT WORKERS IN CAMBODIA

In partnership with the ILO's Global Centre on Digital Wages for Decent Work, Better Factories Cambodia launched a project that aims to promote the transition from cash to responsible digital wage payments in the garment sector. The project focuses on developing the capacities of factories and their workers to facilitate the transition and boost the adoption of digital wage payments and other digital financial services.

This Trainee's booklet on financial education targets primarily women and men workers who wish to improve their money management.

This booklet covers the following topics: set financial goals, communicate with confidence, manage one's income smartly, understand key financial products (savings, loans, payments, insurance), negotiate with financial institutions, transfer money, and manage risks.

It provides all the information related to fictional characters, case studies, exercises, and specific references to the target group. This booklet also comprises the key messages of the training and the tools required for using and managing one's money wisely. It is designed for the men and women participating in the training courses. It should be used as an exercise book during the course and as a reference guide subsequently. This booklet includes many exercises and worksheets that training participants can fill for themselves.

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International Labour Organization

BetterFactories Cambodia