



International
Labour
Organization



Financial
Education



Better
Regional
Migration
Management



Financial Education

For potential
migrants
and returnees



**MANAGE YOUR
MONEY SMARTLY!**

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Alexio Musindo

Director

ILO Country Office for Ethiopia, Djibouti, Somalia, Sudan and South Sudan, and the Special Representative to the AU and the UNECA

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INTRODUCTION

1. BACKGROUND

The document you have in your hands is the Trainee's booklet on financial education. It targets primarily potential migrants and returnees in Ethiopia 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 potential migrant and returnees 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.

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 Ethiopia.

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 the "Better Regional Migration Management" project. This project is implemented by the ILO in partnership with the Foreign Commonwealth and Development Office of the United Kingdom.

2. PRESENTATION OF THE TRAINEE'S BOOKLET

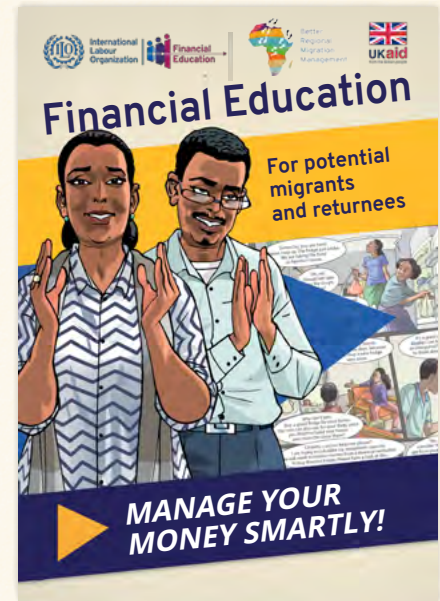
Financial education, what is it about?

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 comic strips included at the end of this booklet include all the relevant topics as per the experience of our fictional characters. You will meet them during the sessions and get to know them better. We encourage you to read them. You can read them independently.

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:

Here are their profiles.

CHARACTER 1 WORKENESH

NAME: Workenesh

Target Group: *Returnee*

Place of Residence: *Urban, Amhara*

Gender: *Female*

Age: *30*

Marital Status: *She returned 3 years ago from Lebanon. She is living with her husband and the child they had when she returned to Ethiopia.*

Economic Activity: *She has a temporary employment as a cleaner in a hotel and she does handmade embroidery. Her husband works in the construction sector.*

Level of educational attainment: *12th Grade completed*

Attitude to money: *Very organized*

Financial Characteristics:

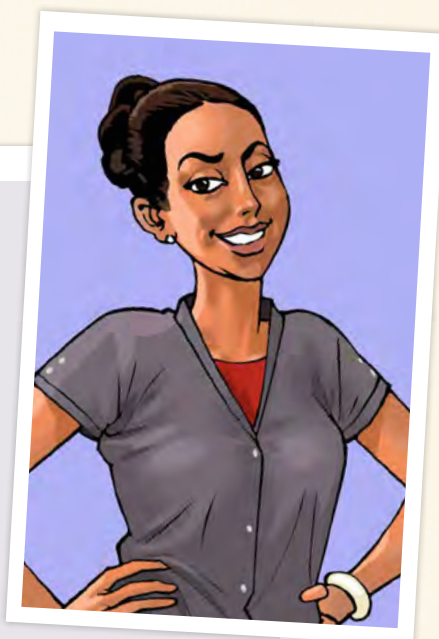
- *She uses formal financial institutions*
- *She always keeps her objectives first*
- *She is very organized and tries to save as much as possible*

Objectives:

- *She would like to have her own coffee shop*
- *She would like to buy land and build their home*
- *She would like to purchase embroidery supplies*
- *Her husband wants to buy materials to build a crib for their son.*
- *They both want to visit her husband's parents who live in Debre Berhan.*

Secondary Characters:

- *Her husband, Kebede*
- *Her son, Alemayhu (2 years old)*
- *Her brother, Abayneh*
- *Her friend in Lebanon, Khadija*
- *Kebede's parents*



CHARACTER 2 GEMECHU

NAME: Gemechu

Target Group: *Returnee*

Place of Residence: *Rural, Oromia*

Gender: *Male*

Age: *28*

Marital Status: *He lived in Saudi Arabia but he was deported. Now, he is living with his wife and their two kids in his parents' house.*

Economic Activity: *In Saudi Arabia, he was an irregular migrant and worked as a car washer. After some time in the country, he recently found a formal employment as a truck driver through an employment scheme for returnees. With his wife, they rent a small shop and have a very small petty trade business. His dream is to build themselves a home and have an additional large room to open the shop there with his wife, Chaletu.*

Family:

- *He has a small petty trade business, jointly with his wife.*
- *They both live in his parent's house.*

Level of educational attainment: *10th Grade completed*

Attitude to money: *Thrifty.*

Financial Characteristics:

- *He is interested in formal financial institutions*
- *He recently started to use digital payment methods*

Objectives:

- *To fix a wall in the shop and buy a banner with the name of the shop*
- *To buy a bicycle for their daughter*
- *To buy the materials needed to build a house on the family land*

Secondary Characters:

- *His wife, Chaletu*
- *His two kids, Belisuma and Dinagde*
- *His neighbours, Bayessa and Ayantu*



CHARACTER 3 DAWIT

NAME: Dawit

Target Group: *Potential migrant*

Place of Residence: *Urban, Addis Ababa*

Gender: *Male*

Age: *19*

Marital Status: *He is single. He is living with his parents.*

Economic Activity: *He came back from Saudi Arabia, but he wants to go again as soon as possible, as now he knows how things work over there. Here he has no proper job. He helps his friend Gideon who sells t-shirts in a stall.*

Family:

- *His father works in a factory and he is the main breadwinner of their family.*

Level of educational attainment: *9th Grade completed*

Attitude to money: *Organized*

Financial Characteristics:

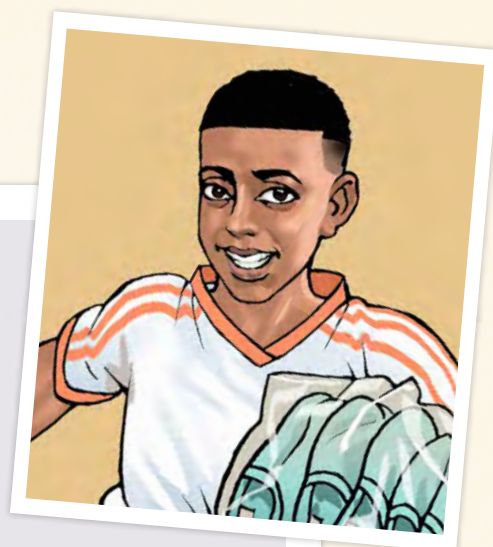
- *He tries to save as much as possible to have as emergency fund when he is in Saudi Arabia*
- *He is organized with his money, but he cannot make ends meet*

Objectives:

- *To legally migrate to Saudi Arabia (for the second time) to earn more money*
- *In the long term, to learn English and become a tour guide in Ethiopia*

Secondary Characters:

- *His parents, Fisseha (Father) and Tigest (Mother)*
- *His friend, Gideon*
- *His friend, Abayneh, from Saudi Arabia*
- *Another friend, Kefyalew*



CHARACTER 4 TIRIHAS

NAME: Tirihäs

Target Group: *Potential migrant*

Place of Residence: *Rural, Tigray*

Gender: *Female*

Age: *20*

Marital Status: *She is single. She is living with her parents in the rural farm.*

Economic Activity: *She is a seasonal worker in agriculture. She would like to migrate, save and operate a small shop to sell small items for children.*

Family:

- *Tirihäs's sister is over-indebted.*
- *Tirihäs's parents also works as seasonal workers in agriculture.*

Level of educational attainment: *Elementary*

Attitude to money: *Unorganized*

Financial Characteristics:

- *She is interested in formal financial institutions.*

Objectives:

- *To join her sister in Lebanon, to work as a domestic worker to save money*
- *To come back and have her own business*

Secondary Characters:

- *Her parents, Areaya and Letebirhan*
- *Her sister, Rahwa*





A

▶ SET GOALS AND COMMUNICATE WITHIN YOUR FAMILY



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 future 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.

A6. How can you calculate the financial costs of migrating?

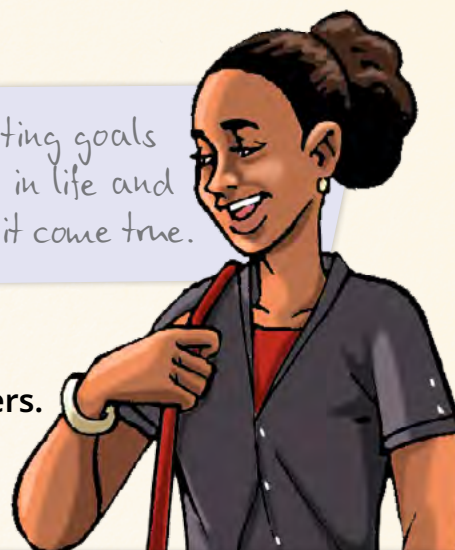
- ☐ a. By listing all preparatory costs, costs during the journey, costs once I arrive, and costs for my family back home.
- ☐ b. By estimating the cost of travel to the destination country.
- ☐ c. By listening to stories of migrants and returnees.

Answers: A1:b; A2:a; A3:c; A4:b; A5:b; A6:a

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 Workenesh, one of our characters.

Case Study N°1

WORKENESH'S STORY

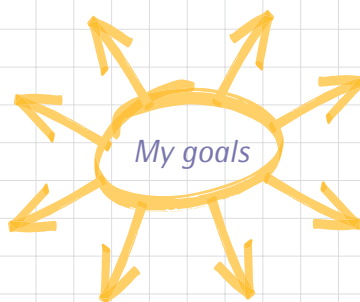
Workenesh is 30 years old. She returned from Lebanon 3 years ago. Back in Ethiopia, she got married with Kebede and they now have a 2 year-old son, named Alemayhu. Her in-laws live in Debre Berhan.

Workenesh has a temporary job as a cleaner in a hotel and she also produces handmade embroidery. She learned this skill from her mother and through a training course she took in a training centre to perfection her technique a few years ago. She is very talented. Kebede works occasionally in the construction sector, but it is really difficult at the moment.

During the evening, when Alemayhu is sleeping, they sit together in the living room to talk about their plans for the future. Workenesh has many goals. She would like to buy embroidery threads, needles and fabrics. She usually makes shawls and blankets, but now she wants to start making dresses from handwoven cotton, with embroidered Ethiopian crosses on the front. Kebede would also like to buy materials to build a crib for their son. On top of that, Kebede wants to visit his parents as he has not visited them since the beginning of the pandemic.

For a long time, Workenesh dreams of having her own coffee shop. She wants to sell fresh cups of coffee and good quality roasted coffee beans. Kebede and her also dream of buying a plot of land and building a house of their own.

What are Workenesh's dreams?
Write them here!

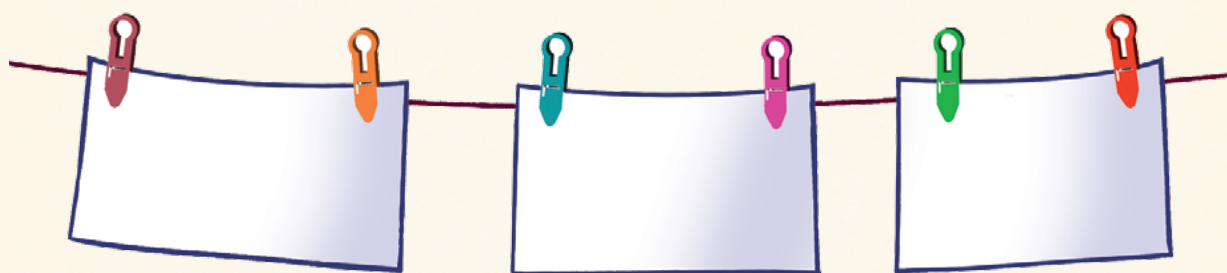


TRAINING AID A.1.1.

My goals

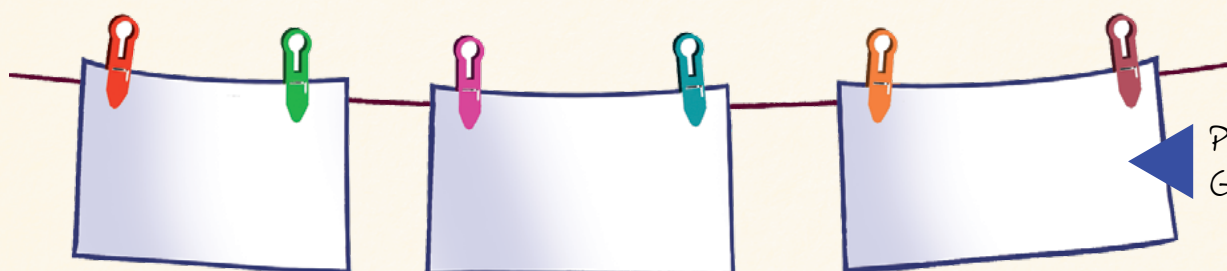
Have you ever thought about your goals?

If so, write or draw them here!



Short-term

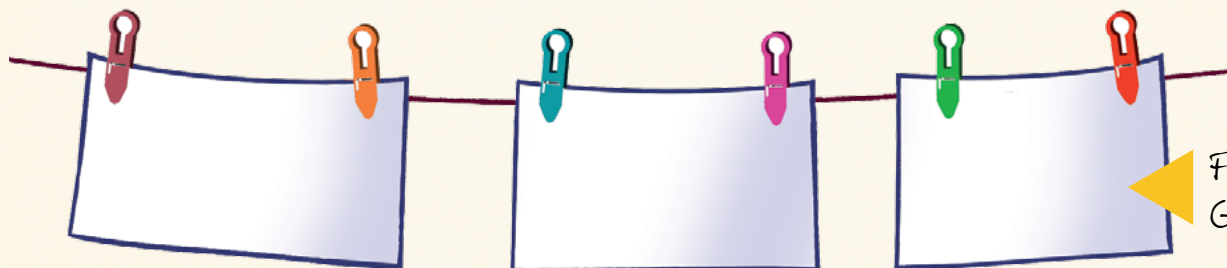
Long-term



Personal Goals

Short-term

Long-term



Family Goals

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. 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 • State clearly what you want • Listen to your partner • Acknowledge the other person's point of view • Show respect • Be flexible and calm • State your opinion, even though you owe the other person respect	• Be passive or arrogant • Shout • Interrupt • Get angry • Be vulgar or insulting • Repeat the same point several times • Immediately reject the other person's ideas • Adopt a defensive posture • Show impatience



⚠ 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 your mental health.

3. 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 increases in the next few years.

4.

Case Study N°2

GEMECHU'S SAVINGS PLAN

MAKE A SAVINGS PLAN TO ACHIEVE YOUR GOALS



Gemechu is 28 years old. He lived in Saudi Arabia but he was deported some time ago.

Now, he is living with his wife, Chaletu, and their two kids Belisuma (10 years old) and Dinagde (6 years old) in his parents' house.

In Saudi Arabia he was an irregular migrant and worked as a car washer, and after some time in Ethiopia, he recently found a formal part-time employment as a truck driver through an employment scheme for returnees. On top of that, his wife and him rent a small shop, in which they run a very small petty trade business.

Some evenings, Gemechu and Chaletu drink tea and speak about their future. They have many goals, but they both know that it is not easy to achieve them all. Gemechu wants to buy a bicycle for Belisuma's next birthday. In addition, Chaletu wants to fix a wall in their shop and buy a banner. She believes it can boost their business.

Gemechu's dream is to build themselves a home with an extra room to open the shop there with his wife. On top of that, Chaletu wants to attend a free course in Financial Education to make more informed financial decisions with Gemechu and manage their money better.

Gemechu has assessed the costs associated to each project and set dates for when he would like to achieve these goals. He has calculated the amount they need to save each month for this purpose. Gemechu has developed what we call a savings plan. This has given him a clearer picture of what his wife and him need to save each month to achieve their goals.

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

MY SAVINGS PLAN					
My goals	Date when I want to achieve my goal	Costs of my goal	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 fix a wall in the petty trade shop and buy a banner	November this year	Birr 3,000	3 months		Birr 1,000
Medium-term goals (1 to 3 years):					
To buy a bicycle for Belisuma	September next year	Birr 9,000	12 months		Birr 750
Long-term goals (more than 3 years):					
To buy the material to build our house	January 5 years' time	Birr 100,000	36 months	Public support programme for returnees Birr 46,000	Birr 1,500
Total amount I need to save every month to achieve all my goals (sum of the amounts in the right-hand column):					Birr 3250



IMPORTANT: Once Gemechu reaches his short-term goal, he will need to adjust his savings plan and the money he needs to set aside each month to achieve his 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					
	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):					

YOUR TURN

I need to save

.....

per month to achieve all my goals.

Be careful! If it is not possible for you to save so much every month, you need to review your goals:

by reducing their costs, or by cancelling some of the goals now, or by postponing the date when you wanted to achieve some of your goals.

You can do that by looking at how you prioritized the goals: for example, you won't change your goals 1 and 2 but you may need to change your goals 3 and 4.

! IMPORTANT

Making a savings plan may cause some distress, especially if you can't save as much as you want. **Don't push yourself!** Always remember that you can always adjust your savings plan.

Case Study N°3

WORKENESH'S PROBLEMS

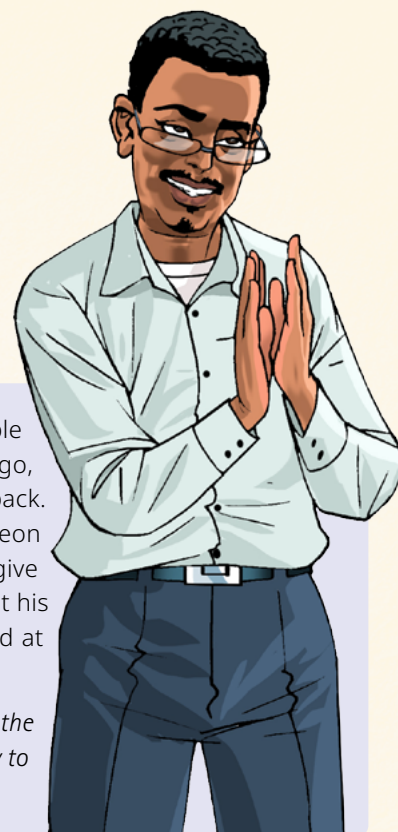
While drinking tea with her brother, Abayneh, Workenesh tells him that she decided to explain to her manager at the hotel that she would like to work only morning shifts. When she works night shifts, she comes home very late and tired. She is trying to save a bit more for the future in case her manager doesn't understand, and she has to stop working at the hotel. It was difficult to tell Kebede about this situation, as they are really tight with money, but he understood and supported her.

Abayneh shares with her that he decided that he would not discuss his problems with his wife. He is taking on all the difficulties associated with the economic slow-down alone and has had to reduce his personal expenses to a minimum to continue to contribute to the family budget.

Even after reducing all his personal expenses, he sometimes does not have enough money to buy the food they need. This situation weighs heavily on him, and he is looking for a solution.

TRAINING AID A2.1

Role-play activity: conflict and negotiation



CONFLICT 1

Dawit wants to go to Saudi Arabia next year, so he has to save as much as possible to build an emergency fund for his arrival and stay there. A few years ago, Gideon, Dawit's friend, went to Saudi Arabia too, but he decided to come back. Now he got married here in Ethiopia, and he has his own t-shirts shop. Gideon insists for Dawit to invest his savings in the t-shirt business with him and give up the idea of leaving. Dawit is clear about his goal, but he does not want let his friend down as he helps him so much. Dawit is afraid his friend will get mad at him if he says no. What should he do?

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

CONFLICT 2

A dear friend of Workenesh is getting married soon. Workenesh discusses with friends about what should be their present. All her friends believe they should all contribute a lot of money because it is a wedding present, and their friend needs many things. Workenesh wants to contribute as much as possible for her friend, but she believes the amount they are pushing for is too much for her. She is afraid her friends will think that she is greedy, especially because Kebede and her have relatively good jobs. What should she do?

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

CONFLICT 3

Gemechu starts to put money aside to cope with emergencies and to improve slowly the petty trade shop. Dinagde, his son, asks Gemechu to buy him a soccer ball to play with his friends. Gemechu knows his son has wanted this ball for a long time, but he also thinks that it is not the right time to buy it and that he should save as much as possible. What should he do?

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

CONFLICT 4

Tirih has always tries to put money aside under the mattress to achieve her objectives. One of her friends from work insistently asked if she could lend her some money to pay some debts. Tirih has would love to help her friend 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 come up with. At least one of the characters in your role-play must try to apply the rules for effective communication.



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.

NOTES

5.



DECIDE IF MIGRATING IS THE RIGHT CHOICE FOR YOU

Case Study N°4

TIRIHAS' MOTHER VIEW ON HER DAUGHTERS' MIGRATION

I am Letebirhan. I'm Tirihas' and Rahwa's mother. Rahwa is my elder daughter. When Rahwa migrated to work in Lebanon about 1 year ago, I was happy for her for

getting that opportunity. However, I was sad that my daughter was going to live abroad, far away from home. 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. Rahwa's decision to migrate has been a blessing for our finances.

However, ever since my daughter left for Lebanon, I have less help at home to run all the errands. Rahwa used to help me a lot during the day together with Tirihas. Now Tirihas also wants to leave and join her sister in Lebanon. I am sure I will miss both of them very much.

I am happy for them to make their own decisions and to have their own experiences. However, I would really like them to be here 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 life experience. • 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 abroad may take time. • The high cost of living in the destination country. • Constant fear of being repatriated (if in the country illegally). • Environmental risks of hazardous work and the threat of (sexual) violence (especially if in the country illegally). • Family expectations that you will earn a lot of money. • Loneliness and isolation. • Social stigmatization when you return from abroad



KEY MESSAGES

- People decide to migrate for multiple reasons: make more money, have a different experience, study, acquire new skills, leave conflicts in their countries of origin...
- 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 nor abroad!

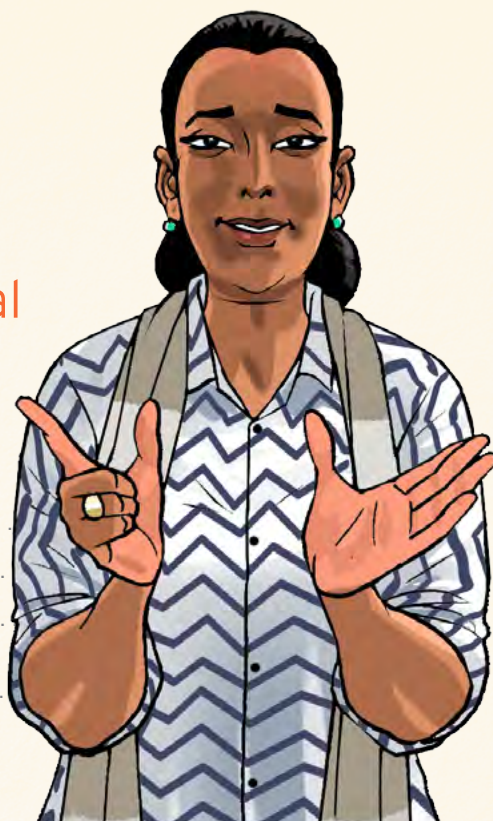
6. CALCULATE THE FINANCIAL COSTS OF MIGRATING

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		
Costs in the town or country I am going to		
Costs upon return		
Costs for my family back home		
Total cost of migrating		



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 abroad (or for a 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 abroad, families can seek information from various sources: public agencies such as Migrant Resource Centres, 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 abroad!

NOTES



B

▶ **MANAGE YOUR MONEY SMARTLY**



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 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.

B4. 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.

Answers: B1:b; B2:a; B3:b; B4: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

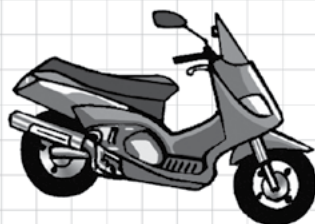
According to your own situation, choose between necessary expenses (we call them needs) and optional expenses (we call them wants)! Circle the images that correspond to needs for you to distinguish them from the wants.

TRAINING AID B1.1

Wants and needs
picture cards



Lottery ticket



Motorbike

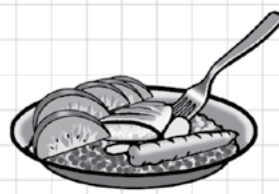
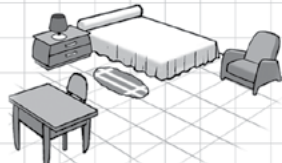


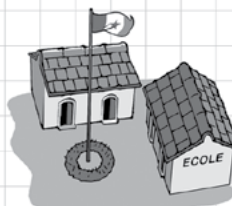
Plate of food



Cash withdrawal



An apartment



School



Smartphone



Water



Sim card



Doctor's visit



Electricity



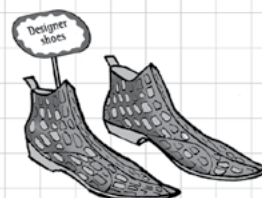
Soda can



Cinema ticket



Ice cream



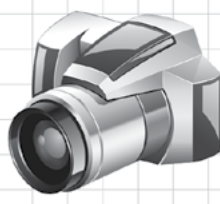
Expensive shoes



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 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 distinguish always between needs and wants. Otherwise not having enough money later for your needs can be really stressful for you.

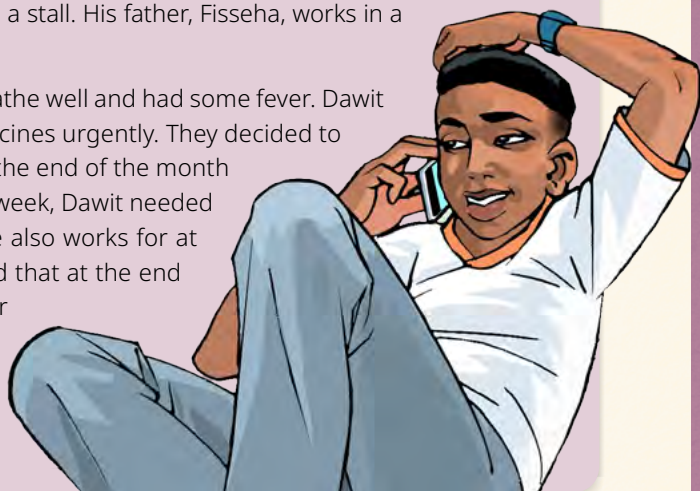
Read the stories of these characters and reflect about what is happening to them. What could have they done differently?

Case Study N°1

DAWIT'S FAMILY FACES AN EMERGENCY BACK AT HOME

Dawit came back from Saudi Arabia a few months ago. He lives with his parents, Fisseha and Tigest. Dawit has no proper job and helps a friend who sells t-shirts in a stall. His father, Fisseha, works in a factory and he is the main breadwinner of their family.

Last week, Tigest started feeling bad. She could not breathe well and had some fever. Dawit and Fisseha were very worried and needed to buy medicines urgently. They decided to go to a nearby pharmacy to get them quickly. As it was the end of the month and Fisseha was to receive his salary only the following week, Dawit needed to borrow money from Gideon, his good friend who he also works for at his t-shirt stall. Gideon lent Dawit Birr 40 and he agreed that at the end of the month, when Dawit's payment would be due for his work at the t-shirt stall, Gideon would reduce it by Birr 50. Dawit has used the money to buy the medicines from the pharmacy. Tigest recovered quickly after taking the medicines.



Case Study N°2

AYANTU, GEMECHU'S FRIEND, HAS A PROBLEM

Gemechu and Chaletu have a very close relationship with their neighbours, Ayantu and Bayessa. Ayantu runs a small hair salon in a street close to their house. Ayantu's salon has been quite successful lately. She has learned to be disciplined with money and has been getting profits for quite some time now. As she does not understand financial institutions, she has regularly given part of her income to her husband, Bayessa, for him to deposit the money in a bank account. One day, she returns home, thinking of asking Bayessa for some money from the business account, as she wants to buy some new tools for her shop. When she arrives, she discovers that her husband has bought a used car. When she requested the money for the hair salon now. Ayantu is angry and goes to check her account and withdraw her remaining savings.

When she gets there, she finds out that the account is in her husband's name and that she is unable to withdraw the small sum 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**

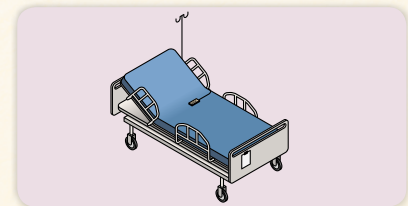
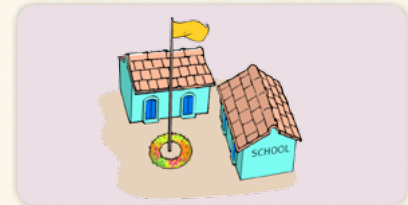
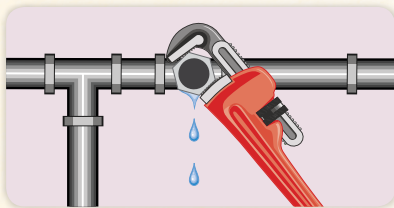
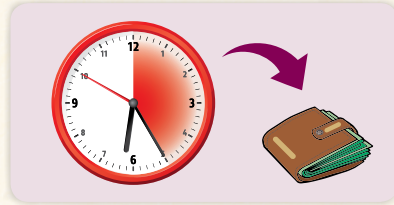
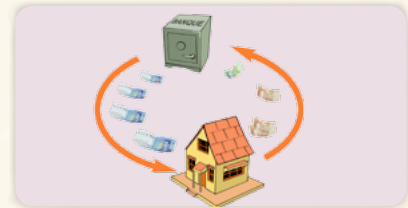
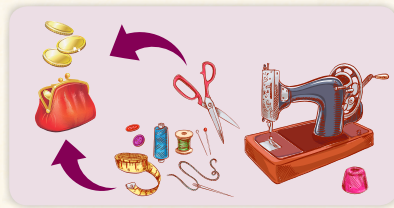
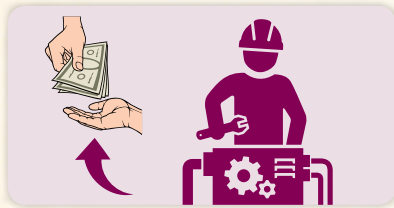
- You need to be able to distinguish between essential and optional spending.
- Saving for an emergency: saving is essential, an absolute need.
- “Manage well what has been earned by others”.
- Saving means giving up an immediate want to invest and achieve a goal in the future.
- Saving makes for security.

NOTES

2. CREATE YOUR BUDGET!

TRAINING AID B.2.1

Images for budgeting
(for groups with poor literacy skills)



TRAINING AID B.2.2

Character's empty budget



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

WORKENESH'S FAMILY BUDGET

SOURCES OF INCOME		Amount
Fixed income		
Workenesh's income contribution to her family		
Sub-total fixed income		
Variable income		
Kebede's income from his jobs in construction		
Sale of their old wooden table		
Sub-total variable income		
TOTAL INCOME		
EXPENSES		
Essential expenses (needs)		
Food		
Mobile phone card		
Health care services		
Electricity and water		
Transport		
House rent		
Sub-total (needs)		
Optional expenses (wants)		
Materials to build a crib		
Trip to Debre Berhan		
Sub-total (wants)		
TOTAL EXPENSES		
TOTAL EXPENSES (Needs and wants)		
INCOME MINUS EXPENSES (SAVINGS)		



Case
Study N°3

WORKENESH'S FAMILY BUDGET - PART 1

Yesterday was the last day of the month and Workenesh and Kebede decided to review their income. First, they have a look at the income and expenses of Workenesh's personal budget. She also keeps a separate budget for her small embroidery business. They came to the conclusion that her net income was ETB 8,000. Like the last months, Workenesh decided to contribute a fixed amount of ETB 6,000 for family expenses and kept ETB 2,000 for her personal budget.

Kebede's income from his daily jobs in construction was ETB 4,500. They also sold an old wooden table Kebede repaired during his free time. A neighbor bought it for ETB 500.

Case
Study N°4

WORKENESH'S FAMILY BUDGET - PART 2

Once Workenesh and Kebede have reviewed their income for the following month, they begin to plan how they will spend the money. First, they will pay their rent (ETB 3,500). Then, for water and electricity they reckon they will spend ETB 150. For food, they estimate ETB 3,500, for transport ETB 750 and for health care services ETB 100. Their pre-paid cellphones charge comes to around ETB 100. The materials to build Alemayhu's crib will cost ETB 1000. They also decided to go to visit Kebede's parents. It will cost around ETB 500.

Workenesh keeps a part of her net income. Some money she keeps it for personal expenses and some only to use for her embroidery business. This month she calculates her personal expenses for the following month: ETB 400 for a memory card for her phone and ETB 100 for a new dress for her.



SOURCE OF INCOME	AMOUNT
Fixed Income	
Workenesh's contribution to the family budget	ETB 6, 000
Sub-total fixed income	
Variable income	ETB 6, 000
Kebede income from construction	ETB 4,500
Sale of old wooden table	ETB 500
Sub-total variable income	
TOTAL INCOME	ETB 5,000
EXPENSES	ETB 11,000
Essential expenses (needs)	
Food	
Mobile telephone card	ETB 3,500
Health care services	ETB 100
Electricity and water	ETB 100
Transport	ETB 150
House rent	ETB 750
Sub-Total (needs)	ETB 3,500
Optional expenses (wants)	ETB 8,100
Materials to build a crib	ETB 1000
Trip to Debre Berhan	ETB 500
Sub-total (wants)	
Total Expenses	ETB 1,500
INCOME-EXPENSES	ETB 9,600
	ETB 1,400



TRAINING AID B.2.3

Character's family budget

WORKENESH'S FAMILY BUDGET

SOURCES OF INCOME	Amount
Fixed income	
Workenesh's income contribution to her family	ETB 6,000
Sub-total fixed income	ETB 6,000
Variable income	
Kebede's income from his jobs in construction	ETB 4,500
Sale of their old wooden table	ETB 500
Sub-total variable income	ETB 5,000
TOTAL INCOME	ETB 11,000

EXPENSES	
Essential expenses (needs)	
Food	ETB 3,500
Mobile phone card	ETB 100
Health care services	ETB 100
Electricity and water	ETB 150
Transport	ETB 750
House rent	ETB 3,500
Sub-total (needs)	ETB 8,100
Optional expenses (wants)	
Materials to build a crib	ETB 1000
Trip to Debre Berhan	ETB 500
Sub-total (wants)	ETB 1,500
TOTAL EXPENSES	ETB 9,600
INCOME MINUS EXPENSES (SAVINGS)	ETB 1,400



TRAINING AID B.2.4

Character's personal budget



WORKENESH'S PERSONAL BUDGET

SOURCES OF INCOME	Amount
Fixed income	
Workenesh's income from her temporary job as a cleaner in a hotel	ETB 5, 000
Sub-total fixed income	ETB 5, 000
Variable income	
Net income handmade embroidery	ETB 3,000
Sub-total variable income	ETB 3,000
TOTAL INCOME	ETB 8,000
EXPENSES	
Essential expenses (needs)	
Contribution to the family budget	ETB 6, 000
Memory card	ETB 400
Sub-total (needs)	ETB 6,400
Optional expenses (wants)	
Extra expenses free days	ETB 100
Sub-total (wants)	ETB 100
TOTAL EXPENSES	ETB 6,500
INCOME MINUS EXPENSES (SAVINGS)	ETB 1, 500

QUESTIONS

- Have you already created a budget?
☐ Yes ☐ No
- If you have, 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 Workenesh 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.2.5

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	
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 Workenesh's case



Case Study N°5

WORKENESH'S FAMILY BUDGET (PART 3)

It seems Workenesh and Kebede are facing some issues. Despite that they had carefully planned their budget, the COVID-19 pandemic has been difficult for them financially. The hotel had to close for a few weeks following the rules imposed by the government. Furthermore, Workenesh is not able to sell her embroidery products at all due to the lockdown imposed in the country. Instead of being able to contribute ETB 6,000 to the family budget, she will only be able to put in ETB 4,000. On top of that, the neighbor decided to give back the piece of furniture as it did not satisfy him, so they had to give him back the ETB 500 he had paid.

At the expenses level, because of spending a lot of time at home, their water and electricity bills increased to ETB 200, instead of the ETB 150 initially planned.

NOTES



TRAINING AID B.2.6

Character's adjusted budget

WORKENESH'S ADJUSTED BUDGET

SOURCES OF INCOME	Amount
Fixed income	
Workenesh's income contribution to her family	ETB 4,000
Sub-total fixed income	ETB 4,000
Variable income	
Kebede's income from his jobs in construction	ETB 4,500
Sub-total variable income	ETB 4,500
TOTAL INCOME	ETB 8,500

EXPENSES	
Essential expenses (needs)	
Food	ETB 3,500
Mobile phone card	ETB 100
Health care services	ETB 100
Electricity and water	ETB 200
Transport	ETB 750
House rent	ETB 3,500
Sub-total (needs)	ETB 8,150
Optional expenses (wants)	
Materials to build a crib	ETB 1000
Trip to Debre Berhan	ETB 500
Sub-total (wants)	ETB 1,500
TOTAL EXPENSES	ETB 9,650
INCOME MINUS EXPENSES (SAVINGS)	- ETB 1,150



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.

3.

KEEP TRACK OF AND STAY WITHIN YOUR BUDGET

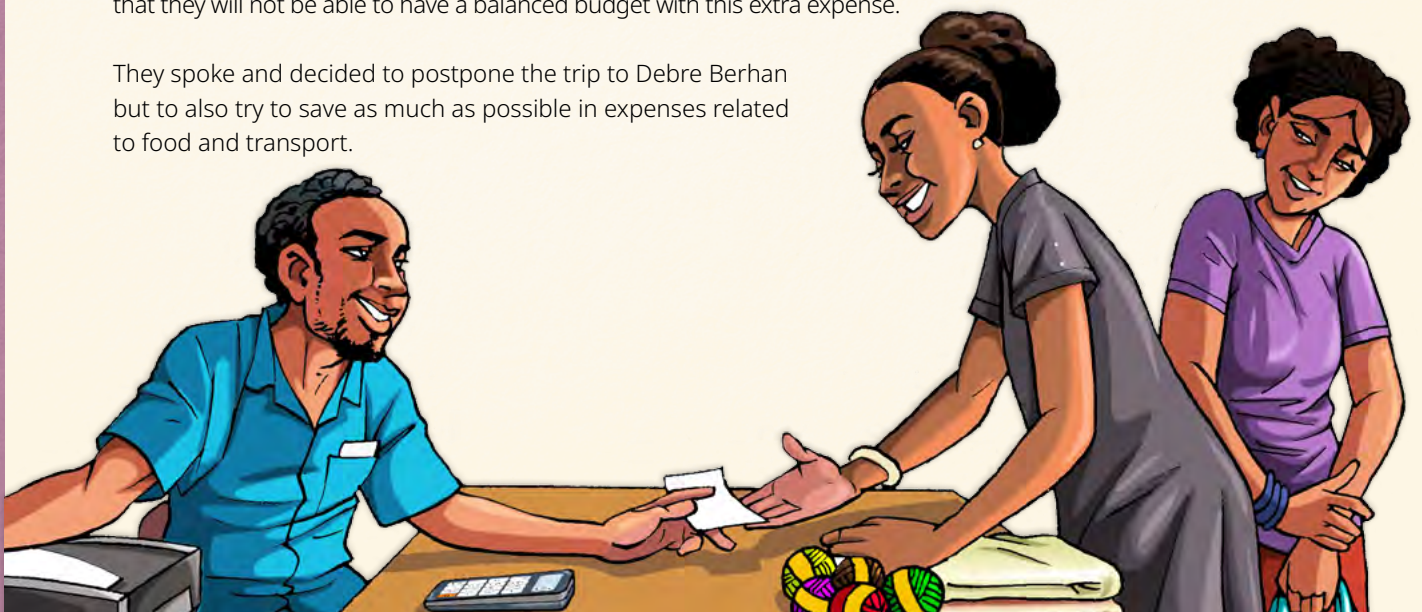
Case Study N°6

WORKENESH'S BUDGET MANAGEMENT

Workenesh and Kebede have many plans. They need to save as much as possible to achieve them. Yesterday, Workenesh received a phone call from her brother Abayneh, who travels a lot for work. Abayneh asked her to send him money because he had an accident on the road and had no money to pay for medical care. Workenesh is very worried about her brother and sends him the money he requested.

During the afternoon, Workenesh talks with Kebede about her brother's situation. They review the budget and realize that they will not be able to have a balanced budget with this extra expense.

They spoke and decided to postpone the trip to Debre Berhan but to also try to save as much as possible in expenses related to food and transport.





Case Study N°7

GEMECHU'S BUDGET MANAGEMENT



Last month, Gemechu realized that his numbers were very tight, and that he should always keep an eye on his expenditures. Yesterday, his neighbour Bayessa asked

to borrow some money because he had to pay the electricity bill but had no money. Gemechu hesitated: he remembered that he had no spare money in his budget. While thinking about this, he remembered that his neighbour Bayessa had helped him so many times before, especially when he had just returned from Saudi Arabia, so he decided to lend him the money. Later that week, Gemechu's father got sick and needed expensive medicines. Gemechu did not have enough money to buy the medicines and Bayessa did not yet have the money to pay him back. Gemechu had to borrow money from an informal lender.

QUESTIONS

- What did Workenesh do to stay within her budget?

There are many ways to make sure you stay within your budget. You can use a spreadsheet, like Workenesh, 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

Year:

44

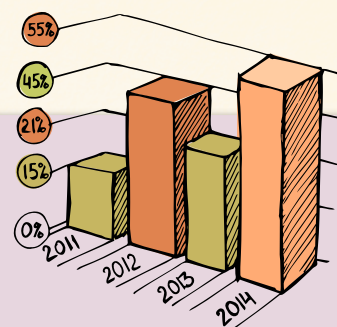
Expense tracking sheet

[illegible]

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.3.3

Transaction Cards
Workenesh's familyWORKENESH'S
FAMILY

On February 1st Workenesh
contributes **ETB 6,000**
to the family budget.

WORKENESH'S
FAMILY

On February 1st Kebede contributes
ETB 4,500 from his income earned
in construction.



**WORKENESH'S
FAMILY**

On February 1st, they pay **ETB 150**
for the electricity and water bill.

**WORKENESH'S
FAMILY**

On February 1st they put **ETB 3,500**
in an envelope for food expenses
throughout the month.

**WORKENESH'S
FAMILY**

On February 2nd they put **ETB 700**
in an envelope for transport expenses.

**WORKENESH'S
FAMILY**

On February 10th they had to pay
ETB 3,500.00 for rent.

**WORKENESH'S
FAMILY**

On February 12th they put aside
ETB 100 for health care services.

**WORKENESH'S
FAMILY**

On February 15st they spend
ETB 1,000 to build a crib for Alemayhu.

**WORKENESH'S
FAMILY**

On February 15th Workenesh's family
needs to repair the fridge
for **ETB 500**.



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 Workenesh and her family.

INCOME TRACKING SHEETS

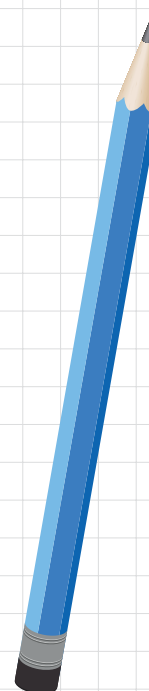
Name: Workenesh's family
 Month: February
 Year: 2022

DATE	DESCRIPTION	AMOUNT OF INCOME
1.2.22	Workenesh's contribution	ETB 6,000
1.2.22	Kebede's contribution	ETB 4,500
TOTAL INCOME		ETB 10,500

EXPENSE TRACKING SHEET

Name: Workenesh's family
 Month: February
 Year: 2022

DATE	DESCRIPTION OF EXPENSE ITEM	AMOUNT SPENT	PLANNED OR UNPLANNED	
			YES	NO
1.2.22	Electricity and water	ETB 150	☒	☐
1.2.22	Food expenses	ETB 3,500	☒	☐
2.2.22	Transport	ETB 700	☒	☐
10.2.22	Rent	ETB 3,500	☒	☐
12.2.22	Health care services	ETB 100	☒	☐
15.2.22	Materials to build a crib	ETB 1,000	☒	☐
15.2.22	Repair the fridge	ETB 500	☐	☒
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
			☐	☐
TOTAL EXPENSES		ETB 9,500		
TOTAL INCOME		ETB 10,500		
SAVINGS (= INCOME - EXPENSES)		ETB 1,050		



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.



4. KEEP YOUR FINANCIAL RECORDS



Case Study N°8

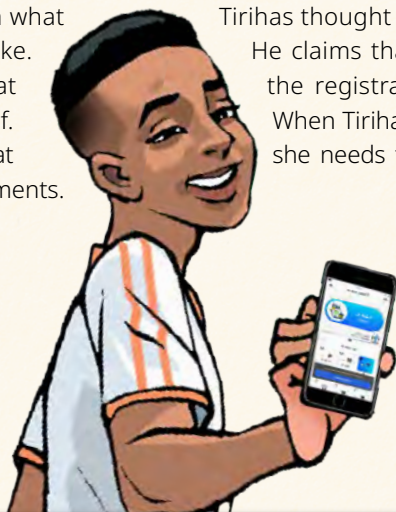
TIRIHAS THROWS SOME RECEIPTS

Tirihas buys on credit from a local shop. Every time she makes a purchase, the shopkeeper writes down the purchase in his registration book and gives her

a receipt for her to keep track of her expenses at the shop. Tirihas does not see the point of keeping her receipts, as she is a bit disorganized with money. She prefers to trust the shopkeeper. One day at the beginning of the month, when she needs to cancel her debt with the shopkeeper, he asks her a total amount of Birr 1,150, that was 150 more than what

is sure there is a mistake. She tells the shopkeeper that she wants to, they can look at has given her as proof. shopkeeper tells her that not keeping these documents.

Tirihas thought she had to pay. He claims that he does not think there is one, but that if she the registration book and can also add up the receipts he When Tirihas tells him that she never keeps these receipts, the she needs to pay for the total amount. Tirihas is upset about



Case Study N°9

DAWIT KEEPS HIS FINANCIAL DOCUMENTS

When Dawit and his family receive the electricity bill for their house at the end of each month, Dawit goes to the Ethiopia Electric Utility (EEU) to make

the payments. One day, while he is working at his friend Gideon's t-shirt stall, his mother calls him because their power supply has been cut off! Very angry, he goes to the company's office to complain. At the office, an employee tells him that he has not paid for the past 2 months. He is sure he has paid the bills. The employee asked him about the bill stamped "PAID" to review the situation. Dawit returns back home and looks in a box where he keeps financial records, bills, and important papers. There, he finds the electricity bill stamped "PAID". Dawit returns to the company office and gives the employee the proof of payment. The company restores the power supply. Dawit is very happy he kept his financial documents for moments like this.



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.



C

▶ 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 use them only next year. What savings account is the most appropriate 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; C2:c; C3:a



1. CHOOSE A SAVINGS METHOD!

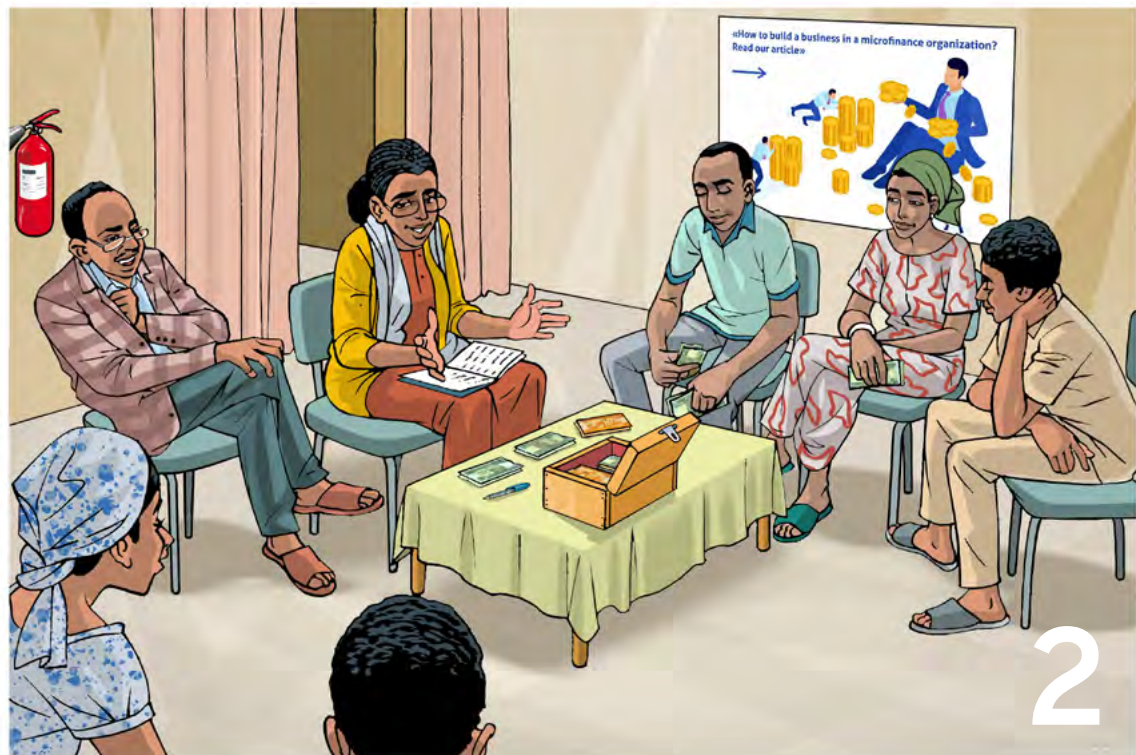
Now that you have created your personal budget (or your family budget), you know how much you can save every month and how much you must save for each of your goals.

TRAINING AID C.1.1

Savings Methods



Workenesh is client at a local bank. She prefers to keep the most part of her savings at the bank close to her house.



Gemechu is a client of an MFI and he saves there a small amount each month.



Dawit is member of an Iqub savings club and he likes to save there because when it is his turn in the group, he can receive quite a lot of money. He plans to take this money with him in case of facing emergencies in Saudi Arabia.



Tirihas saves her money under her mattress at home.

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
- 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

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.

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).

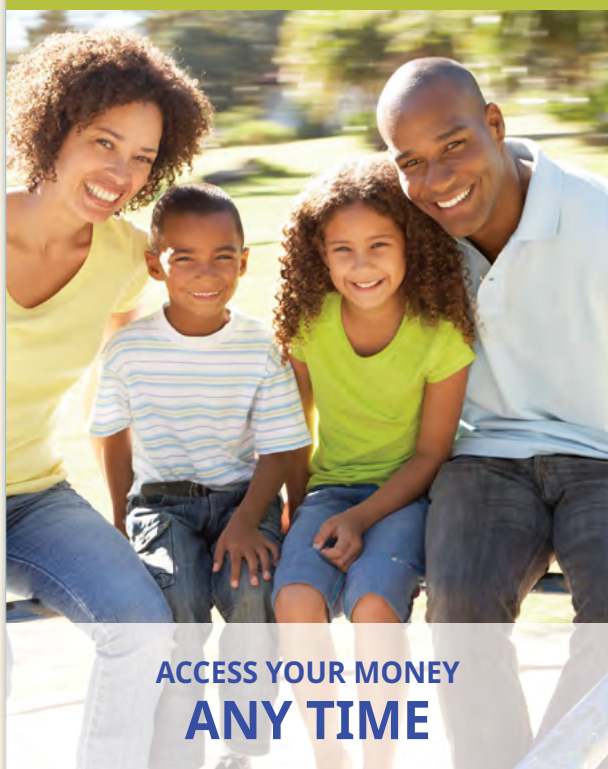
Each type of product has advantages and disadvantages (for example, the different interest rates). In the next pages you will find three brochures, one for each of these products. At the end of this module, in the Section Answers to exercises you will find a comparative table that summarizes the information from each brochure.



TRAINING AID C.2.1

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. Our regular savings account offers flexibility in managing your money. There is no need to pre-inform the bank for deposit and withdrawal. Your capital is guaranteed. 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: 1%
- 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
- Free of charge for opening and closing your account
- Minimum deposit: ETB 500.00
- Adapted for emergencies
- Free card to deposit or withdraw from ATMs
- Use any ATM in the country (this might include costs)

TERM:
open-ended



REQUIREMENTS

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

TRAINING AID C.2.2

Targeted/Contractual savings account

TARGETED/CONTRACTUAL SAVINGS ACCOUNT



**IF YOU REALLY WANT TO SAVE MONEY
FOR YOUR FUTURE**

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 12 to 48 months with different interest rates.

MAIN CHARACTERISTICS

- Up to 3% yearly interest rate for a 48-month period
- Minimum deposit of ETB 1,000.00 to open the account
- Free of charge for opening, transacting and closing your account
- Your savings are blocked until the end of the term
- After a certain time, you have automatically access to credits to finance your projects
- If you make anticipated withdrawals, you don't pay fees, but you lose part of the interests

REQUIREMENTS

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

TERM:
**choose from 12 months
to 48 months.**



TRAINING AID C.2.3

Time (fixed) deposit account

TIME DEPOSIT ACCOUNT



MAKE YOUR MONEY EARN MORE MONEY

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 3 months to 5 years

MAIN CHARACTERISTICS

- Highest interest rate in the market – up to 4%. Rate is fixed and known in advance.
- Minimum deposit: ETB 25,000.00
- Free of charge for opening, transacting and closing account
- Flexible deposits: you put money whenever you can
- Penalty for early withdrawals
- Free certificate of deposit
- Build your savings history with us and access credit for your projects

REQUIREMENTS

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

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



Workenesh would like to have her own coffee shop. She wants to sell both fresh cups of coffee and good quality roasted coffee beans. A friend of hers, who owns a small shop in a very good location, told her that the place will be available for rent in six months. Workenesh does not intend to spend her savings for at least six months.

»» What type of savings account can she opt for?

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



Gemechu has accumulated some savings with the objective of achieving his goal of building his own house, but still, it's not enough. He wants to set aside a fixed amount each month for a period of three years. He does not want to be tempted to spend this money on other objectives.

»» What type of savings account can he opt for?

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

MATCHING TO SAVINGS PRODUCTS SITUATION CARDS



SITUATION 3

Dawit wants to go to Saudi Arabia next year, so he has to save as much as possible for this. He does not want to get tempted to use his savings for other purposes. When thinking of opening a bank account, Dawit thinks he might need a bank account just for emergencies, and would like to be able to withdraw the money quickly.

»» What type of savings account can he opt for?

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

MATCHING TO SAVINGS PRODUCTS SITUATION CARDS



SITUATION 4

Sometimes Tirihas feels unsafe to have her savings in cash at home under her mattress. She wonders whether it would be better for her to save this money in a bank. She does not want to be tempted to spend this money. She also wants to save enough to have for emergencies.

»» What type of savings account can she opt for?

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

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? If you are an immigrant or a citizen living abroad, can you open a savings account in a financial institution?
- **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?*
- *As a citizen living abroad, can I open an account here? What documents do you ask for?*



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.

Requirement 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 Financially Displaced Persons.

Safety

When people choose to keep their money at home, there is a danger 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).

ANSWERS TO:

ADVANTAGES AND DISADVANTAGES OF THE DIFFERENT SAVINGS METHODS (C1)

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	• Not easily available for low income, illiterate people and migrants. • 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 fund to serve you

NOTES

Savings method

Semi-formal

- Savings groups
- Self-help groups
- Village banks
- Village Savings and Loan Associations (VSLAs)
- Unregistered microfinance institutions
- Unregistered savings and credit cooperatives
- Unregistered loan institutions

Informal

- 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.

Advantages

- 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.

- 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...)

Disadvantages

- 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).

- 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 (C2)

	Regular savings	Contractual savings	Time deposit
Is it possible to open it if you are migrant	It seems it is possible	No information provided	No information provided
Is there a minimum deposit when you open the account or whenever you want to pay money in?	ETB 500.00	ETB 1,000.00	ETB 25,000.00
Can you make withdrawals at any time? Do they have any costs or penalties	Yes, at no cost	Yes, but you lose interests	Yes, with penalties
What is the interest rate?	1%	3%	4%
Can you borrow money if you open a savings account?	No	Yes, after some time	Yes, after some time
Is the savings schedule flexible or do you have to deposit certain amounts at a fixed date?	Flexible	It has monthly deposit commitments	Flexible
Can I deposit or withdraw my savings in an ATM?	Yes	No	No

ANSWERS TO: MATCHING GOALS TO SAVINGS PRODUCTS SITUATION CARDS (TRAINING AID C2.4)



ANSWERS SITUATION

1

Workenesh should try to open a time deposit savings account at the bank so that she will not be tempted to spend the money she was able put aside.



ANSWERS SITUATION

2

A contractual savings account would allow Gemechu to make fixed monthly deposits and save for a set period. Some institutions offer a contractual savings account for specific objectives, such as materials to build a house.



ANSWERS SITUATION

3

Dawit should try to open a regular bank account at a bank. In this bank account, he would be able to set aside some money each month that he could use for emergencies, or that he could eventually keep and take with him for his trip to Saudi Arabia.



ANSWERS SITUATION

4

Tirihas should try to open a regular bank account at a bank. In this bank account, she would be able to set aside some money each month that she could use for emergencies, or that she could eventually keep and use for other purposes.



▶ USE CREDIT PRODUCTS WISELY



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: D1:d; D2:c; D3:c

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



S T O R I E S F I N A N C I N G

GEMECHU

Recently, Gemechu's house fridge broke and Gemechu wants to buy a new one with a freezer. After much thought, he decides to borrow money from a financial institution to buy a fridge with an integrated freezer, that they can use for both the family and the shop, once they move to the new house.

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



S T O R I E S F I N A N C I N G

WORKENESH

Workenesh makes handmade embroidery. She learned this skill from her mother and attended a training course to perfection her technique. She makes different products and sells them on the market. She usually makes shawls and blankets, but now she wants to start to make dresses from handwoven cotton, with embroidered Ethiopian cross on the front. She needs to buy embroidery threads, needles, and fabrics. As part of the savings she keeps at the bank are exclusively for her business, Workenesh uses her savings in the bank account to buy the new supplies she needs.

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



S T O R I E S F I N A N C I N G

DAWIT

Dawit lives with his parents. His father, Fisseha, works in a factory, but a few days ago, he had an accident with a tool. He went to the hospital and the doctor told him that he needed x-rays and medicines, but they do not have enough money for that. Dawit decides to borrow money from an informal lender in the neighborhood as all of his savings are in the Iqub scheme.

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



S T O R I E S F I N A N C I N G

TIRIHAS

Tirihas's phone is quite old. Sometimes, when her sister calls, the line goes dead for no reason. Video calls are impossible to make with her phone. She does not have enough savings to buy a new one. She decides to sell her old phone and a piece of furniture from Rahwa that no one uses anymore. With that money, she will buy a better phone.

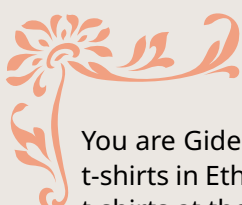
F I N A N C I A L E D U C A T I O N

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

- 1 Sell an asset, like Tirihas.
- 2 Use personal savings, like Workenesh .
- 3 Borrowing money from family/friends and other informal sources of credit; like Dawit.
- 4 Borrowing from a financial institution such as a bank, microfinance institutions, VSLAs or registered savings and credit cooperatives, like Gemechu.

TRAINING AID D.1.2

The story of two businesses



GIDEON

You are Gideon, a very good friend of Dawit's, and you run a small business selling t-shirts in Ethiopia. Today, you are going to visit your friend, Kefyalew, who also sells t-shirts at the market. You also invited Dawit.

You ask Kefyalew many questions about how he funds his business. Kefyalew also wants to know how you go about it.

This is how you have set up and expanded your business:

You started out with Birr 25.000 that you had saved up after many months working in Lebanon. You also had Birr 7.500 from the sale of some used furniture.

Although your business is very small, you have a plan to expand it little by little.

You try to put aside Birr 1.500 each week in a savings account dedicated to your business, which you have recently opened at the national bank. In this way, every 3 or 4 months you have saved enough money to improve a bit your business (for example, buying a banner or painting the walls) and making it grow. Now you can buy larger quantities of t-shirts and diversify your production purchases. You can also help your friend, Dawit, by giving him a part-time job.

The more profit you make, the more you can save and the bigger the investments you can make in the business.





KEFYALEW

You are Kefyalew and you run a small business selling t-shirts at the market. Your friend Gideon also has a similar shop. Today, you, Gideon and Dawit are meeting for a coffee.

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

You started out with Birr 30.000 that you had saved up and a loan of Birr 50.000 from the an MFI that supported young people through a special scheme. 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. However, you are able to save only Birr 750 each week.

One day, a small shop came into the market in the busiest avenue of the city. The shop was for 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 Birr 45.000 from your brother-in-law.



QUESTIONS

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



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 term credit 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 honours his repayment obligations

QUESTIONS

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

Important features to consider when selecting a lender

- Interest rate (fixed or variable)
- 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.

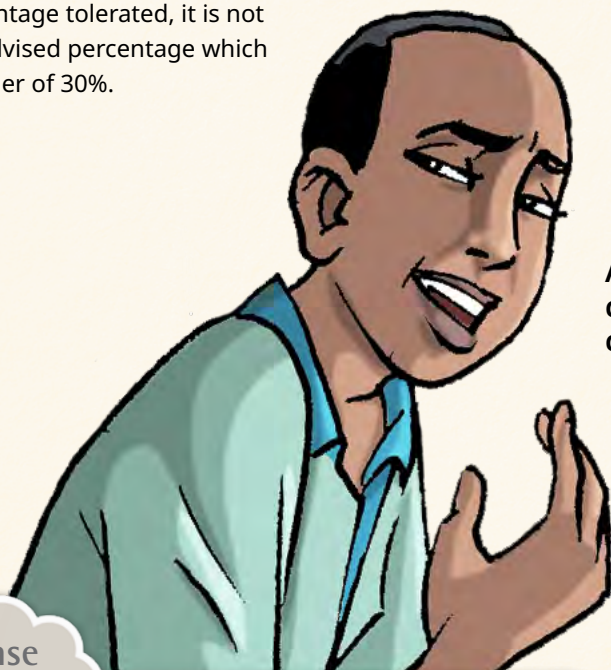
3. CALCULATE THE COST OF YOUR CREDIT

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%.



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

Case
Study N°1

GEMECHU'S REPAYMENT CAPACITY

Gemechu is very tidy with his numbers. He has a fixed income of Birr 6,000.00, from his part-time employment as a truck driver. He gets this money independently from the

income of the petty trade. Sometimes, the shop is going well, and they have extra income but this varies from month to month (this variable income is not taken into account for the purpose of this calculation).

Monthly income: Birr 6,000.00

Monthly capacity to make repayments: 30% of monthly income > Birr 1,800.00

Based on this calculation, Gemechu may not undertake to repay more than Birr 1,800.00 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



Gemechu has calculated that he will need Birr 30,000 to buy a fridge with an integrated freezer. He found the following financial products (loans). He is trying to work out which is the least expensive of the offers.

NAME OF PRODUCT	COMERCIAL BANK	MICROFINANCE ASSOCIATION	YOUR BEST CREDIT BANK
Annual Percentage Rate (APR)	21.5% per annum	18% per annum	16.5% per annum
Term of the loan	3 years (36 months)	2 years (24 months)	1 year and a half (18 months)
Amount repayable each month (monthly instalments)	Birr 1,137.97	Birr 1,497.72	Birr 1,892.79
Total amount repayable (Term of a loan x monthly instalment)	Birr 1,137.97 x 36 = Birr 40,966.92		
Real cost of loan (Total amount repayable minus amount of capital requested by Gemechu)	Birr 40,966.92 - Birr 30,000.00 = Birr 10,966.00		

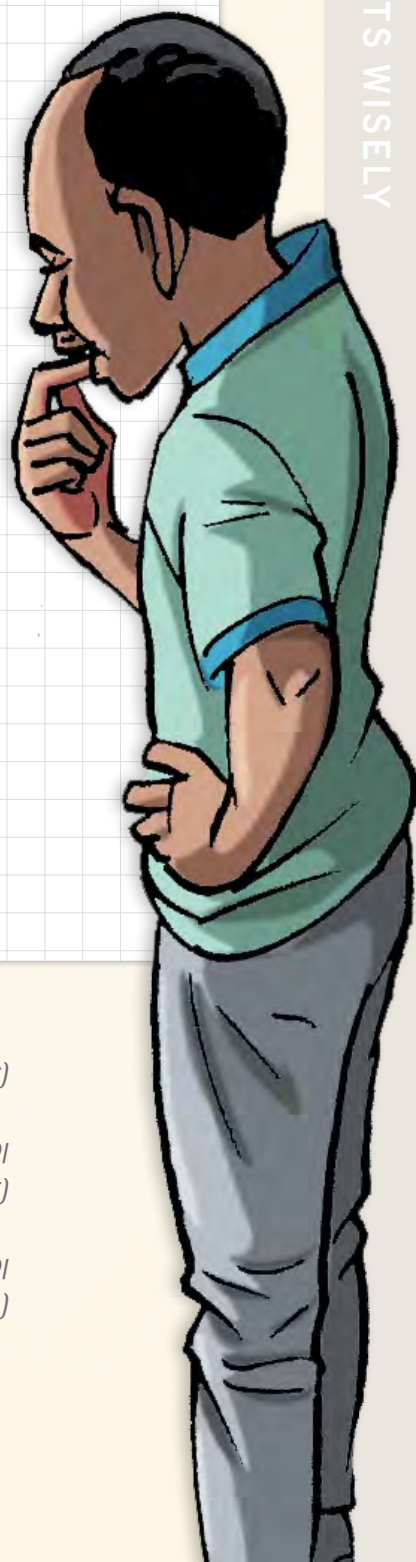
Over to you!

What is the real cost of the loan offered by MICROFINANCE ASSOCIATION? (1)

And the real cost of the loan offered by NGO? (2)

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

Warning! The cheapest credit is not necessarily the most suitable for Gemechu's needs. For example, it may be more difficult and riskier to pay back a larger sum each month. It depends on how much Gemechu expects to earn each month.



(3). The correct answer is the NGO

(1). Total amount repayable = Birr 35,945.28 (Birr 1,497.72 x 24). Real cost of the loan = Birr 5,945.28 (Birr 35,945.28 - Birr 30,000.00)
 (2). Total amount repayable = Birr 34,070.22 (Birr 1,892.79 x 18). Real cost of the loan = Birr 4,070.22 (Birr 34,070.22 - Birr 30,000.00)

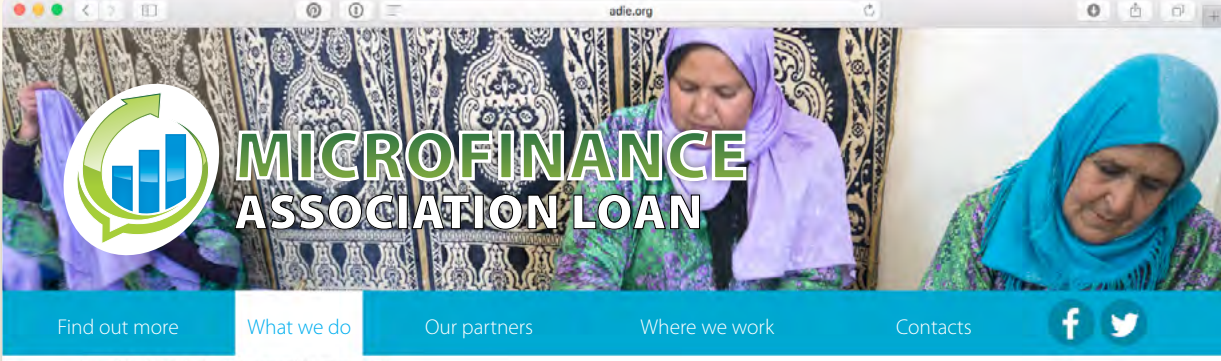
TRAINING AID D.3.2

Fictional brochures advertising loans



COMERCIAL BANK

- APR: **21.5%**
- Term of the loan: **3 years**
- Monthly repayments:
Birr 1,137.97
(On a loan of Birr 30,000.00)
- Grace period: **No**
- Maximum amount of loan:
Birr 80,000.00
- Conditions:
 - Minimum personal contribution: Not required
 - Clients must have been customers of the bank for at least 3 months
- No non-financial services or training courses provided for entrepreneurs
- Financial statements required from clients to provide evidence on their loan reimbursement capacity



MICROFINANCE ASSOCIATION LOAN

Find out more | What we do | Our partners | Where we work | Contacts

- ➔ APR: **18%**
- ➔ Term of the loan: **2 years**
- ➔ Monthly repayments: **Birr 1,497.72**
(On a loan of Birr 30,000.00)
- ➔ Grace period: **6 months**
- ➔ Maximum amount of loan: **Birr 40,000.00**

Conditions:

- ➔ Clients are requested to attend a training course for 3 months.
- ➔ You must be a customer of the microfinance association.
Very quick and easy registration!
- ➔ Opportunity to take up a range of training courses in business management and financial education for entrepreneurs
- ➔ Personal supervision throughout the repayment period
- ➔ Minimum personal contribution: 20% of the cost of the project
- ➔ For existing businesses only: Businesses for which the loan is requested should exist for at least 6 months or longer.

YOUR BEST CREDIT YOUR NGO



WE ACCOMPANY THE GROWTH OF YOUR PROJECTS

- APR: 16.5%
- Term of the loan: 18 months
- Monthly repayments: Birr 1,892.79
(On a loan of Birr 30,000.00)
- Grace period: No
- Maximum amount of loan: Birr 30,000.00
- **Conditions:**
 - Minimum personal contribution 10% of the cost of the project
 - You must prove that you have the ability to pay back the loan through the presentation of your financial statements
 - You are required to attend at least one training course in business management for entrepreneurs and/or in financial education

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	YOUR BEST CREDIT BANK
APR / cost of the loan			
Ease of accessing a loan / conditions			
He/she amount 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?

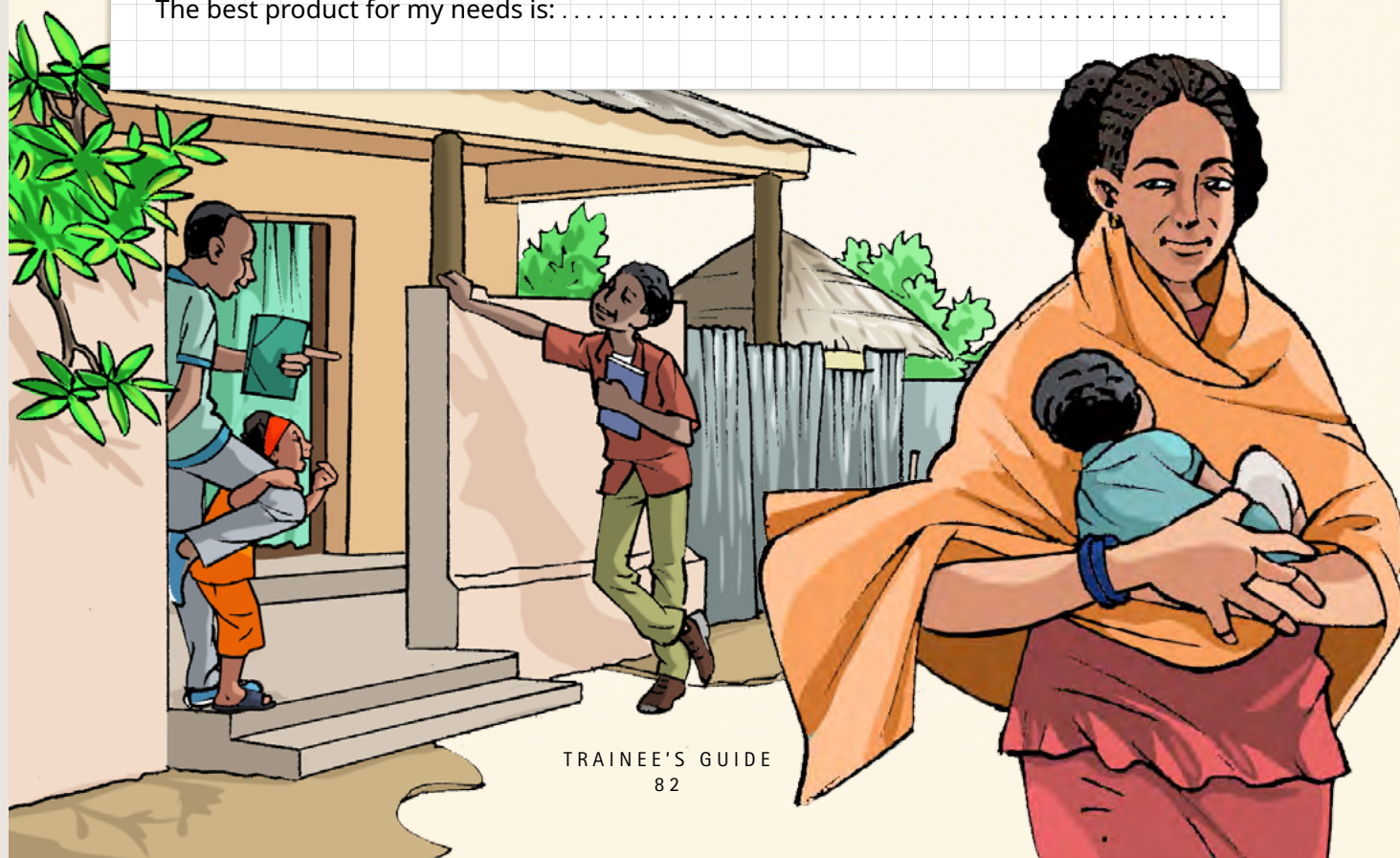
What amount?

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

⚠ 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 Gemechu, beware of low interest rates, which over a long period of time can actually be very expensive!

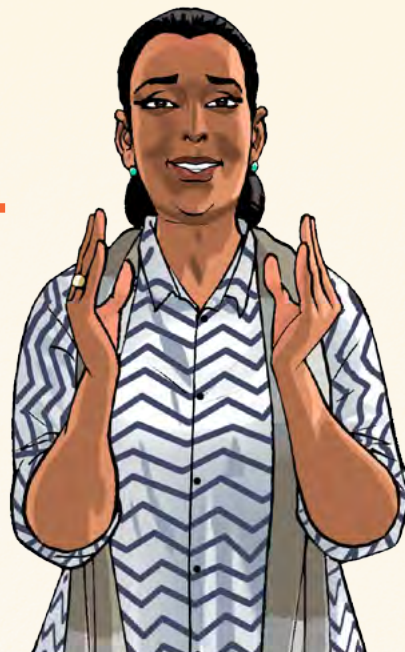
NAME OF PRODUCT			
Annual Percentage Rate (APR)			
Term of the loan			
Amount repayable each month (monthly instalments)			
Total amount repayable (term of a loan x monthly instalment)			
Real cost of loan (Total amount repayable minus amount of capital requested)			

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 currency units.

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

ISLAMIC FINANCE

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

Her bank buys the property for 100 units, 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 currency units 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 currency units. $(120-100 = 20)$



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 Rahwa and Tirihas are having a discussion on a video call

Tirihas

Rahwa, yesterday a person came to our house. He was from a Microfinance Institution. He says you owe them money. I do not know what to tell her!

Rahwa

Don't worry sis, tell him you don't know anything about me. He will forget.

Tirihas

I am not sure he will not forget. It seems you owe them a lot of money! And I also found out that someone in the village also lent you money before you went to Lebanon.

Rahwa

Which person? My friend Maedot?

Tirihas

No, I meant... wait... Did Maedot also lend you money?

Rahwa

Sis, don't worry about it, I will send them the money later on.

Tirihas

Rahwa, you told me you would find the money for the repayments last week!

Rahwa

I know, I know, but I haven't been able to. Sorry sis, I have to go! Bye bye!

PART 2 Rahwa and her friend, Maedot, are talking on the phone.

Maedot

Hi, Rahwa?

Rahwa

Yes... who is speaking?

Maedot

It's Maedot, from Ethiopia. Do you remember me?

Rahwa

Oh course Maedot, how are you?

Maedot

Not so good. Things are very difficult here lately. Listen, I call you because I need you to pay me back the money I lent you to go to Lebanon.

Rahwa

I see... I will try to send you the money next week, although I must also pay an informal lender here.

Maedot

You borrowed from an informal lender there as well?

Rahwa

Yes, I needed the money for an emergency. But it is ok, this informal lender always lends to people from our country. He will understand.

Maedot

I don't understand. You went there to earn money and save, but you keep on borrowing...

Rahwa

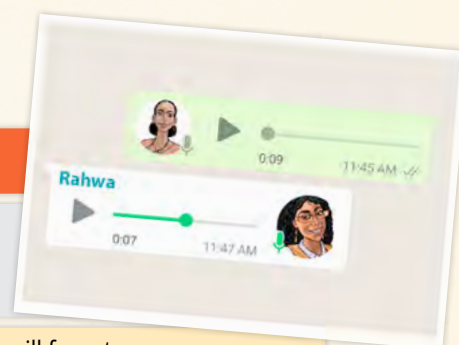
Maedot, you take things too seriously. Everything is under control.

Maedot

Maybe you take things too lightly. How will you pay us all?

Rahwa

Sorry Maedot, I cannot hear you well, the signal is bad. I'll call you back, bye!



QUESTIONS

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

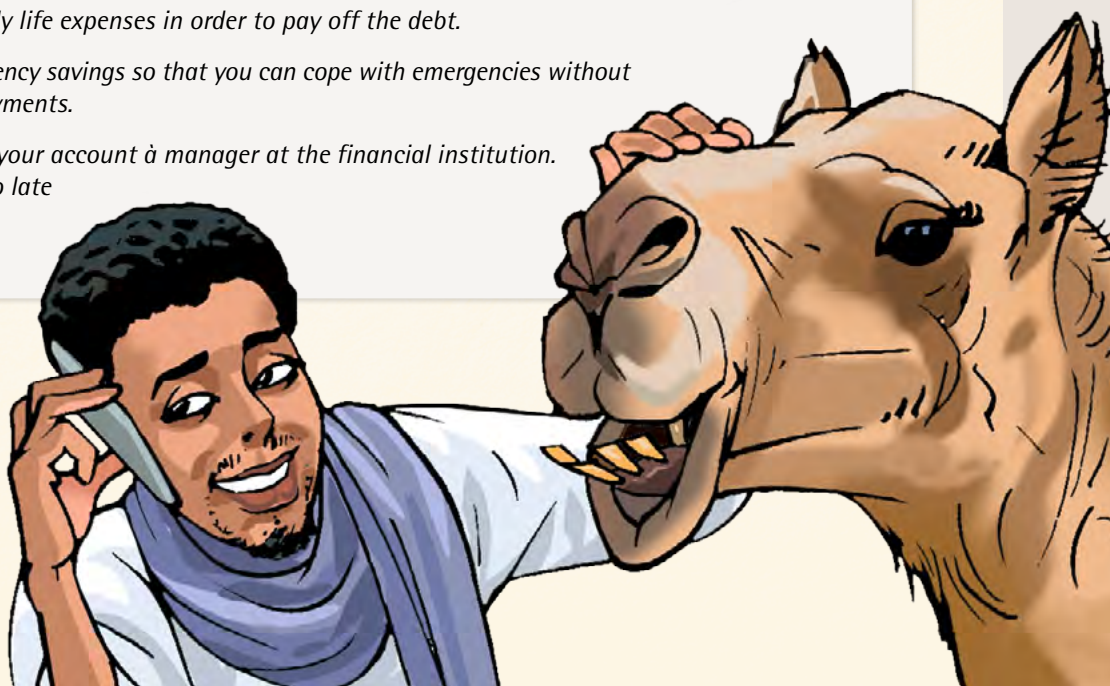
DEFINITION

Over-indebtedness is the inability for a person to cope with his or her personal debts.

! 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 à 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 friends from Rahwa. She has debts with many of you. She is failing to repay her loans and she doesn't answer her phone.

Prepare a short sketch in which you discuss the situation and decide what to do about Rahwa.

FINANCIAL EDUCATION

ROLE - PLAY CARDS

CARD2



You are members of Rahwa's family in Ethiopia (sister, mother, father). You have not received money from Rahwa in the last months and you are a bit worried about her because she has borrowed too much money to go to Lebanon. Prepare a short sketch in which you discuss the situation and decide what to do about Rahwa.

FINANCIAL EDUCATION

ROLE - PLAY CARDS

CARD3



You are members of the Microfinance Institution that lent money to Rahwa before she left to Lebanon. Prepare a short sketch in which you share Rahwa's situation and decide what to do about her.

FINANCIAL EDUCATION



YOUR TURN!

Are you over-indebted?

Are your monthly debt obligations over 30 per cent of your monthly income? ☐ Yes ☐ No

Do you often take revolving credits (renewable credit)? ☐ Yes ☐ No

Do you use your loans more and more to cover your daily living expenses? ☐ Yes ☐ No

Do you ask more and more frequently for a delay to pay for recurrent expenses (rent, electricity bills...)? ☐ Yes ☐ No

If you answered YES to at least one of these questions, you must pay attention! You may be over-indebted or at risk of becoming over-indebted. Act right away by making a budget and talking to your lenders to repay your debts as soon as possible and avoid falling into a vicious circle.

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 project are funded by these loans (house purchase, business start-up, buying a car...)?
- 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?
- Are guarantee conditions different if I am a migrant worker?
- 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? (beginning 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?
- Are your products also applicable for migrant worker?
- 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: ADVANTAGES AND DISADVANTAGES OF THE DIFFERENT WAYS OF RAISING MONEY (TRAINING AID D.1.3)



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...)	- 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, VSLAs, SACCOs - Savings and Credit Cooperative 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

ANSWERS TO:

TERMS AND DEFINITIONS ASSOCIATED WITH CREDIT/LOANS (TRAINING AID D.2.1)

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 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)

ANSWERS TO: CALCULATING THE COST OF GEMECHU'S LOAN (TRAINING AID D.3.1)

NAME OF PRODUCT	NATIONAL BANK	MICROFINANCE ASSOCIATION	YOUR BEST CREDIT BANK
Annual Percentage Rate (APR)	21.5% per annum	18% per annum	16.5% per annum
Term of the loan	3 years (36 months)	2 years (24 months)	1 year and a half (18 months)
Amount repayable each month (monthly instalments)	Birr 1,137.97	Birr 1,497.72	Birr 1,892.79
Total amount repayable (Term of a loan x monthly instalment)	Birr 1,137.97 x 36 = Birr 40,966.92	Birr 1,497.72 x 24 = Birr 35,945.28	Birr 1,892.79 x 18 = Birr 34,070.22
Real cost of loan (Total amount repayable minus amount of capital requested by Gemechu)	Birr 40,966.92 - Birr 30,000.00 = Birr 10,966.00	Birr 35,945.28 - Birr 30,000.00 = Birr 5,945.28	Birr 34,070.22 - Birr 30,000.00 = Birr 4,070.22

NOTES

ANSWERS TO:

TABLE SUMMARIZING THE ARGUMENTS THAT INFLUENCED THE CHARACTER IN CHOOSING A LENDER AND A LOAN (TRAINING AID D.3.3)

GEMECHU'S CRITERIA FOR CHOOSING A LENDER AND A LOAN

FACTORS	COMERCIAL BANK	MICROFINANCE ASSOCIATION	NGO
APR / cost of the loan	Highest APR	Average APR	Lowest APR and lowest real cost of the loan
Ease of accessing a loan / conditions	- Possible, If Gemechu has been a customer of this bank for more than 3 months. - He has to prove his ability to pay back the loan.	- Personal contribution may be too high for Gemechu (for a project costing Birr 30,000.00, he would have to contribute Birr 6,000.00) - He has to attend a training course for 3 months, so he has to wait.	- Impossible, because Gemechu's capacity to make repayments is not enough. He cannot prove that he has the ability to pay back the loan. - Personal contribution acceptable for Gemechu (for a project costing Birr 30,000.00, he would have to contribute Birr 3,000.00) - Possible, if he has a guarantor.
The amount he/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 Gemechu to have support / supervision)	Yes (it might be very important for Gemechu to have support / supervision)
CONCLUSION	This is the most expensive loan, but if Gemechu has been a customer of this bank, he will not have to wait. He does not have any support available, but his capacity to make repayments is enough.	The loan is fairly expensive, but support is available for entrepreneurs. Also, he has to consider the personal contribution, which may be too high for him.	- This is the least expensive loan. - But, Gemechu's capacity to make repayments is not enough. He cannot prove that he has the ability to pay back this loan.

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



E

▶ CHOOSE MEANS OF PAYMENTS AND MONEY TRANSFER PRODUCTS



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
- Electronic mandate
- Payment via mobile phone (if the service is available 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

KHADIJA, WORKENESH'S COLLEAGUE, GET HER FIRST CARD.

During her stay in Lebanon, Workenesh made a very good friend there, Khadija.

Khadija still lives in Lebanon. She has a refugee status. Yesterday, they spoke over the phone and Khadija told Workenesh that she has received some cash assistance as a registered refugee from an international organization through a card. Khadija was very happy because she was able to use the amount credited onto this card to withdraw money from an ATM and buy some groceries at a small supermarket.

Workenesh remembered that a long time ago, some commercial bank from Ethiopia offered this card in collaboration with a few supermarkets. She does not know if these cards are still available now.

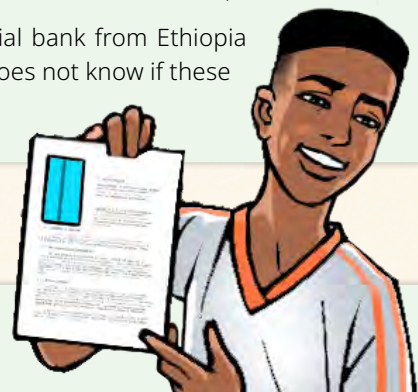


Case Study N°2

DAWIT'S FIRST CARD

Dawit finally opened a bank account. This account includes a bankcard that Dawit starts to use. First, he goes to an ATM and uses the card to withdraw money to pay the electricity bill, and then he checks his balance. On his way back home, he goes to a new shop that just opened and buys some half kilo of meat, Injera and half liter of milk, who is still recovering from a bad flu. When he arrives home,

Dawit calls Abayneh, his friend in Saudi Arabia, and tells him about his new card. Abayneh tells him that he also has a card and when Dawit returns to Saudi Arabia, he might be able to use his card there using his savings from Ethiopia. Dawit is very happy with his new card.





Case Study N°3

RAHWA, TIRIHAS' SISTER, USES HER CARD



A few weeks after arriving in Lebanon, Tirihas's sister, Rahwa, received a credit card from her bank, in which her employer pays her salary. She used the card a lot at the beginning as

she had many expenses. The days pass by and Rahwa 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 first month, after receiving her card, she realizes she does not have enough money to cover all the expenses made with her bank card. She will have to pay interest and if she doesn't pay, there will be serious consequences.

DEFINITION

Pre-paid or cash cards

A pre-paid card allows you to withdraw money 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 and in some cases, pay for goods. The money you use is deducted immediately from your balance. It is important to distinguish that ATM cards are usually limited to cash cards, whereas some pre-paid cards are bank cards that also allow payments. To use cash cards you do not need to have a bank account.

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.

Credit card

In general, a credit card allows you to make the same transactions as a pre-paid/cash card and debit card. The major difference is that it allows, 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 ...).

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 WALLET



Case
Study N°4

CHALETU PAYS A BILL THROUGH A MOBILE PHONE



Chaletu, Gemechu's wife, is talking with her neighbor Ayantu. Ayantu tells her to go with her to her hair salon so they can catch up. Chaletu would love to go but she still has a lot of things to prepare for her daughter's birthday. She tells Ayantu that she also has to go to the Ethiopia Electric Utility (EEU) to pay for their electricity bill. Ayantu tells her: "You don't need to go to the EEU to pay for the bill. You can pay it using your phone, with a digital wallet. You just need to download the app." Chaletu is very surprised as she had never heard about this.

Ayantu shows her step by step how to download the application and pay bills. Chaletu has doubts on how to download the app, because she is not very good with technology, and she is afraid of making a mistake. Ayantu tells her that she will help her pay this bill. Chaletu downloads the app, and with the help of her friend, she pays the electricity bill in a few seconds. Now she has time to spend some time with her neighbour at the hair salon. Chaletu is very happy and she cannot wait to tell Gemechu about this!



Case
Study N°5

TIRIHAS PAYS USING A QR CODE



Tirihhas and her mother, Letebirhan, decide to visit a new market that has opened in a bigger city nearby, in Mekele. They have heard it is a very nice modern building. While walking there, Letebirhan remembers she has to buy a present for a friend's birthday coming up soon. They find a convenience shop that sells colorful shawls. After selecting one, the woman at the cashier tells her that due to COVID-19 they have a special discount of 5% off for any client paying with cards or digital wallets. Letebirhan does not know what it is, but Tirihhas remembers having a new digital wallet app on her phone. She heard about this in a financial education training for rural workers organized by an NGO a few weeks ago. She asks the woman whether she can pay using the app. The woman confirms it and tells her to wait for her to generate a QR code for this payment. Tirihhas scans a QR image at the cashier and automatically, the money is withdrawn from her digital wallet. Tirihhas is fascinated to use this mean of payment for the first time.

DEFINITION

By digital wallet we refer to an electronic device, online service, or software program that allows one party to make electronic transactions with another party bartering digital currency units for goods and services

E-wallet

Advantages

- 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.

Disadvantages

- You may forget your PIN.
- Your mobile phone might be stolen.
- Difficult to stick to your budget.

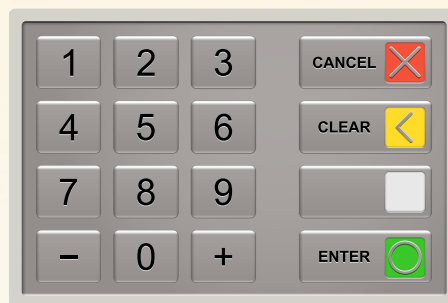
SECURITY TIPS FOR DIGITAL WALLETS

- 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

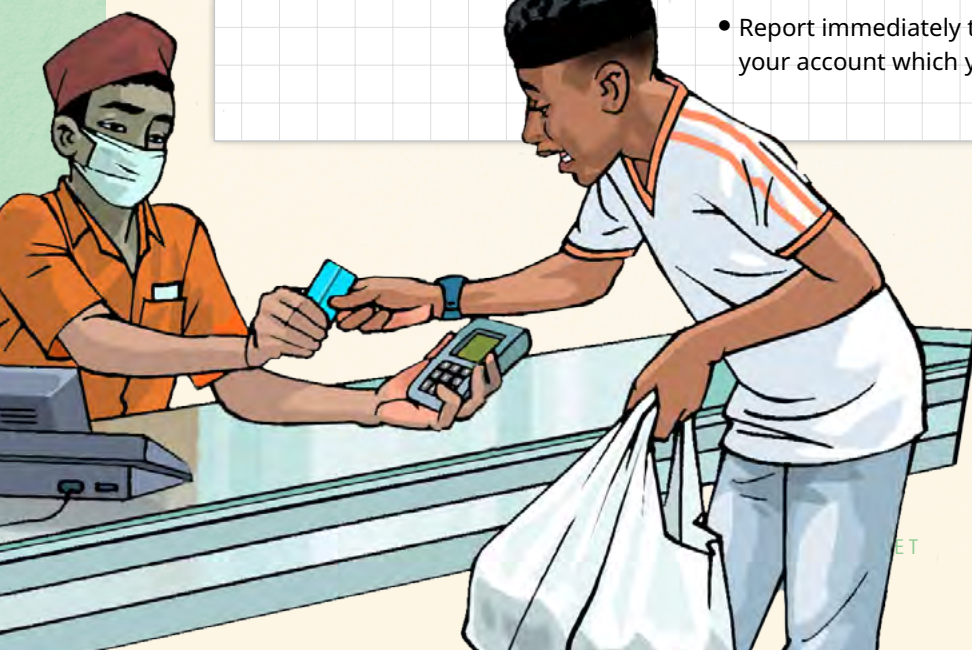
DAWIT FORGETS THE SECRET CODE



Dawit must withdraw money to pay for some household expenses. Gideon, his friend, asked him to take care of the stall and he's running late. He stops at the ATM and starts the money withdrawal process. He types his secret code as requested but the ATM screen indicates that the code is wrong. Surprised, Dawit retypes his code but again the machine refuses the operation. He reflects for a second, but he is very confused. In that moment, his friend Gideon calls him and asks him to hurry up. Dawit is in a hurry, but tries a third time by changing a number in his code. The ATM refuses the operation and retains his card. Dawit is very annoyed, he failed to withdraw the money and on top of that his 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 ...
- 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...).
- 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...
- Each means 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, check your balances and, in some cases, also pay for goods, without having a bank account. A debit card is a card linked to your bank account that allows you to use ATMs and pay for goods and services.
- 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

TIRIHAS CAN'T FIND THE MONEY

Tirihas makes an urgent call to Rahwa. The Microfinance Institution is insisting on the repayment, and someone came to the house again asking for the money. Rahwa

regrets what happened and tells Tirihas that she will send her the money right now.

Rahwa sends money through one individual who has an illegal network of money transfer. She gives the money in cash to this person who lives in Lebanon. She provided him with Tirihas's address in Ethiopia, so that she can receive the money. The man will call an agent in Ethiopia and tell him the name and address of the receiver.

The local agent will call and give Tirihas the money at her door or request Tirihas to come and pick it up in a shop.

Several days later, Tirihas had still not received neither the call nor the money. Rahwa tries to contact the man, but he has disappeared. After two weeks, the money never arrived and Tirihas will have to use her savings to repay her sister's debt.





Case Study N°8

WORKENESH USES A FORMAL PROVIDER

Workenesh needs to send money to her brother, Abayneh, who had an accident on the road and had no money to pay for medical care. As her brother doesn't have a

bank account, she uses a money transfer agent to send him money. She has always used the same provider, but a friend from work recently told her that there was a new money transfer operator much cheaper next to the hotel in which they work. Workenesh decided to try it out and goes to the new provider. She filled in a money transfer application form.

The man at the counter gave her a long list of agents where Abayneh could receive the money. Workenesh called her brother and gave him the address of one agent close to his location. Later that day, Abayneh met the agent. He showed his identity card and received the money. Workenesh had to pay a small amount to send the money to Abayneh, and it was a bit less than with the other provider. Good news! Abayneh has just called her to say he 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?

PERSONAL SITUATION

Looking at my personal situation, the best method to transfer money for me is

This is because :



KEY MESSAGES

- It is important to be familiar with the procedure for transferring money (documents to be provided, costs, operator's network ...).
- 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 ...
- 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!

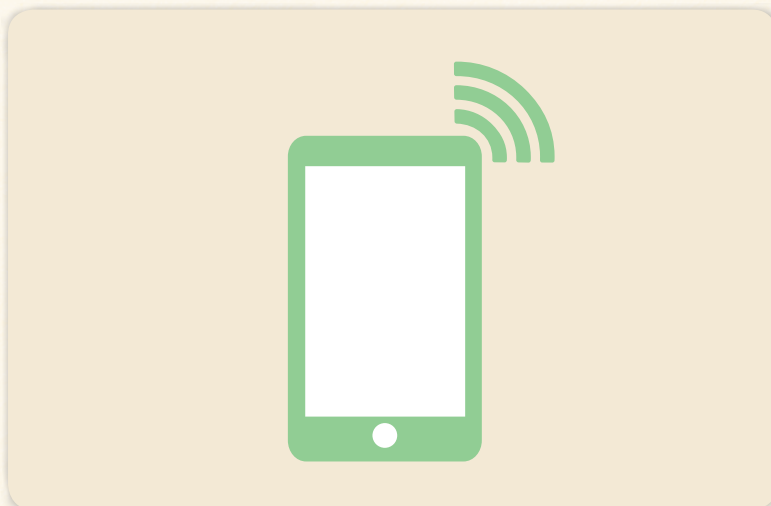
TRAINING AID E.2.1

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

Workenesh's method

Workenesh got fabrics for a very good price from a new provider. She pays the new provider through the bank, using home-banking.

Chaletu's method

Chaletu, Gemechu's wife, uses a digital wallet to pay some of their bills. She also uses the e-wallet service to transfer money.

Dawit's method

Dawit sends money to his father via his mobile wallet for the first time; his father receives it instantly in his mobile wallet. Now, Dawit hopes he will be able to send Fisseha some money through this method, when is in Saudi Arabia.

Rahwa's method

After a bad experience, Rahwa sends money to Tirihas through a money transfer operator.

3. HOW TO SEND AND RECEIVE MONEY

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 home-banking

- Enter the website of your banking institution. Complete your username and password.
- Once inside the system, 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 website or via email that the transfer has been made successfully.
- Enter the website of your banking institution. Complete your username and password.
- Once inside the system, select the account to which you have been sent the money. When you enter when viewing 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.

NOTES

Form for transferring money (transfer operator's form)

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TRAINING AID E.3.3

FORM FOR TRANSFERRING MONEY

(BANK'S INTERNATIONAL 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...).
- 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... 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...), 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 through an app in my phone, the person that receives the money needs 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 Dollars, 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...)?*
- *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:

ADVANTAGES, DISADVANTAGES AND USE OF MEANS OF PAYMENT (E1)



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... • 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...) - 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	- No need to have a bank account, just a mobile number and sim card - Easy way to send money to someone else	- 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 (COVID-19) - Bills payment

ANSWERS TO:

COMPARATIVE TABLE BETWEEN DIFFERENT BANK CARDS (E1)

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.		



ANSWERS TO: ADVANTAGES AND DISADVANTAGES OF MONEY TRANSFER OPERATORS (E2)

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...): 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



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've noted that there are more and more banks in this region:

- ☐ a. I should go and ask 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.

A **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...



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...) • Remote services (balance enquiries via Internet, spending alerts via SMS, telephone banking...) and costs • Quality of service and staff (waiting times, respect for customers, languages spoken, speed of service...) • 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 (question 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...)? 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...)

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...)?

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.

NOTES

2. USE FINANCIAL INSTITUTIONS WITH CONFIDENCE!



Case
Study N°1

DAWIT SPEAK ABOUT FINANCIAL INSTITUTIONS

Dawit drinks coffee with his friend Gideon. Gideon 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. Dawit explains that before opening his first bank account, he went into several banks and just asked for information. It was difficult to say no to members of staff, but he was able to get a lot of information from discussing with them. In the end, he decided to open an account with one of the banks he had visited that offered him a basic account with no fees and which did not require a minimum balance. Gideon decides to find out how he can close his account and, like Dawit, do the rounds of financial institutions to find one better suited to his needs.

QUESTIONS

- Why does Gideon 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 CARDS 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 CARDS 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 CARDS 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 CARDS 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 CARDS 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 or fill in forms.

DESCRIPTIVE CARDS N° 6

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

DESCRIPTIVE CARDS 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 CARDS N° 8

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

DESCRIPTIVE CARDS 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 CARDS 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:	Residence address:
Zip-code:	Zip-code:
Town:	Town:
Country:	Country:
Family situation: ☐ Married ☐ Separated ☐ Divorced ☐ Widow ☐ Single	Family situation: ☐ Married ☐ Divorced ☐ 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 ☐ Internet banking ☐ Debit card ☐ Insurance for means of payment ☐ Credit card	
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



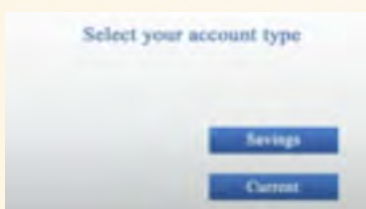
Using the keypad you have to enter your 4 digit password. But always remember that no one can see your password while you are entering a password and also do not share this password with anyone. More than 3 times the wrong password, your ATM card can be blocked.

STEP 3: SELECT YOUR TRANSACTION

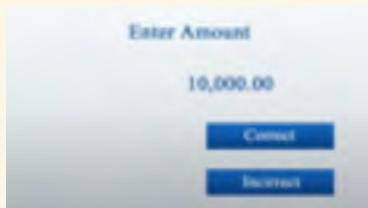


At this moment, you can see many options appearing on the screen, such as money withdrawal, transfer, balance enquiry, etc. In this case, you should select "Money withdrawal" or "Withdraw money".

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

For this step, you have to enter the amount you want to withdraw 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

After all these steps, you have to collect your money from the lower slot of the machine.

STEP 7: SELECT ANOTHER TRANSACTION OR FINISHING THE SESSION

At 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!

NOTES

TRAINING AID F.2.4

Descriptive cards - Client protection principles

DESCRIPTIVE CARDS N°1

I own a chicken farm.

I have just contracted a farm loan with a nearby microcredit institution. The amount is exactly the amount I needed. In three months' time, I shall be selling my chickens and shall have a large sum of money.

However, I now have to pay back the loan to the microcredit institution in monthly instalments and I have no current income from my business to make the payments. It now seems to me that the loan was not suited to my needs.

Is it normal?

FINANCIAL EDUCATION

DESCRIPTIVE CARDS N°2

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.

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?

FINANCIAL EDUCATION

DESCRIPTIVE CARDS N°3

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 CARDS N°4

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 CARDS N°5

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 CARDS N°6

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 EDUCATION

DESCRIPTIVE CARDS N°7

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.



TRAINING AID F.2.5

Cards with scenarios of savings product needs

S I T U A T I O N C A R D S



SCENARIO 1

Workenesh and Kedebe have just attended a financial education session organized by a voluntary association from their neighbourhood.

The topic was "Saving some money for a rainy day". They are now determined to put some money aside every month, if only a small amount, to buy land and build their home.

Workenesh has decided jointly with Kebede to open a flexible savings account.

»» What questions should you ask financial institutions to find the one that has the most suitable product for Workenesh?

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

S I T U A T I O N C A R D S



SCENARIO 2

Gemechu would like to put aside some money to make some improvements in his parents' house as they will stay there for some time. He wants to save a fixed amount every month for one year.

He doesn't want to be tempted to spend the money and he is thinking about having a savings account that would enable him to achieve their family goals.

After discussing the matter on several occasions with Chaletu, they have decided to open a contractual savings account which will enable them to make fixed monthly deposits to save for a given period.

»» What questions should you ask financial institutions to find the one that has the most suitable product for Gemechu?

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

S I T U A T I O N C A R D S



SCENARIO 3

Dawit and his friend Gideon discussed over the phone about the money issues they are both facing.

They have both been saving consistently at the bank in the last few months.

Dawit tells Gideon that he does not want to be able to withdraw these savings and wants to get the highest possible rate of interest.

They have agreed that Dawit should open a fixed-term savings account.

»» What questions should you ask financial institutions to find the one that has the most suitable and most attractive product for Dawit?

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

S I T U A T I O N C A R D S



SCENARIO 4

Tirihas would like to join her sister in Lebanon to work. All the costs related to the trip will be covered by her future employer.

However, she is saving to make sure to leave her parents an emergency fund that would cover unexpected expenses while she is not in the country.

So, she must avoid any temptation that would induce her to draw on her savings for other purposes.

She has finally decided to open a regular savings account, where she will be able to save the money for this goal, at her own pace.

»» What questions should you ask financial institutions to find the one that has the most suitable product for Tirihas?

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

TRAINING AID F.2.6

Form for reporting on visit to financial institutions

INSTITUTION VISITED:

1 / 3

ROLE OF THE PERSON INTERVIEWED:

Complete the following table for each product offered by the financial institution you visited..

PRODUCTS:

CHARACTERISTICS TO BE CONSIDERED
IN CHOOSING A FINANCIAL INSTITUTION

ANSWERS RECEIVED DURING THE VISIT

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...)

Remote services (balance enquiries
via Internet, spending alerts via
SMS, telephone banking...)
and costs

Quality of service and staff
(waiting times, respect for
customers, languages spoken,
speed of service...)

If appropriate, conditions of
joining (subscription, frequency of
meetings, decision-making powers
of members...)

Transparency regarding charges and
terms and conditions, quality of the
information given to customers

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

2 / 3

CHARACTERISTICS TO BE CONSIDERED
IN CHOOSING A FINANCIAL INSTITUTION

ANSWERS RECEIVED DURING THE VISIT

CHARACTERISTICS OF THE FINANCIAL INSTITUTION

Products designed for specific customer groups (students, salaried employees, pensioners...)

Charitable works undertaken (solidarity fund, sponsorships...)

Presence of the institution abroad or in the region and geographical proximity to the place of residence of the relative sending or receiving money

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

Security

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

3 / 3

CHARACTERISTICS TO BE CONSIDERED
IN CHOOSING A FINANCIAL INSTITUTION

ANSWERS RECEIVED DURING THE VISIT

CHARACTERISTICS OF THE FINANCIAL
INSTITUTION'S PRODUCTS (IN THIS CASE, SAVINGS)

Interest rate

Possibility of accessing other
products and services provided
by the financial institution

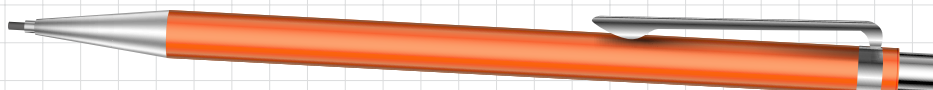
Costs of saving (charges, penalties)

Liquidity

Ethical values of the product
(sustainable finance,
environmental, Islamic...)

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

NOTES



ANSWERS TO:

DESCRIPTIVE CARDS (TRAINING AID F.2.1)

ANSWERS DESCRIPTIVE CARDS N°1

Application form
for opening an account

ANSWERS DESCRIPTIVE CARDS N°2

Customer service agent

ANSWERS DESCRIPTIVE CARDS N°3

Branch manager

ANSWERS DESCRIPTIVE CARDS N°4

Bank clerk

ANSWERS DESCRIPTIVE CARDS N°5

Security guard

ANSWERS DESCRIPTIVE CARDS N°6

Display board

ANSWERS DESCRIPTIVE CARDS N°7

Document display shelves

ANSWERS DESCRIPTIVE CARDS N°8

Withdrawal slip

ANSWERS DESCRIPTIVE CARDS N°9

A cheque

ANSWERS DESCRIPTIVE CARDS N°10

Paying-in slip

ANSWERS TO:

DESCRIPTIVE CARDS - PRINCIPLES OF CUSTOMER PROTECTION (TRAINING AID F.2.4)



DESCRIPTIVE CARDS N 1

I own a chicken farm. I have just contracted a farm loan with a nearby microcredit institution. The amount is exactly the amount I needed. In three months' time, I shall be selling my chickens and shall have a large sum of money.

However, I now have to pay back the loan to the microcredit institution in monthly instalments and I have no income from my business to make the payments. It now seems to me that the loan was not suited to my needs.

Is this normal?

FINANCIAL EDUCATION

CLIENT PROTECTION PRINCIPLES APPLIED

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.

DESCRIPTIVE CARDS N 2

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.

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

CLIENT PROTECTION PRINCIPLES APPLIED

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.

DESCRIPTIVE CARDS N 3

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

CLIENT PROTECTION PRINCIPLES APPLIED

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 language that is easy for customers to understand.

DESCRIPTIVE CARDS N 4

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

CLIENT PROTECTION PRINCIPLES APPLIED

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.

DESCRIPTIVE CARDS N 5

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 I fail to make the repayments.

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

FINANCIAL EDUCATION

CLIENT PROTECTION PRINCIPLES APPLIED

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.

DESCRIPTIVE CARDS N 6

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.

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.

DESCRIPTIVE CARDS N 7

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

CLIENT PROTECTION PRINCIPLES APPLIED

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.





G

▶ RISK MANAGEMENT AND INSURANCE



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.

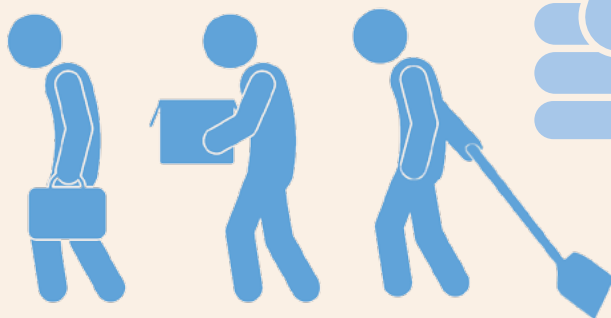
DEFINITION

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

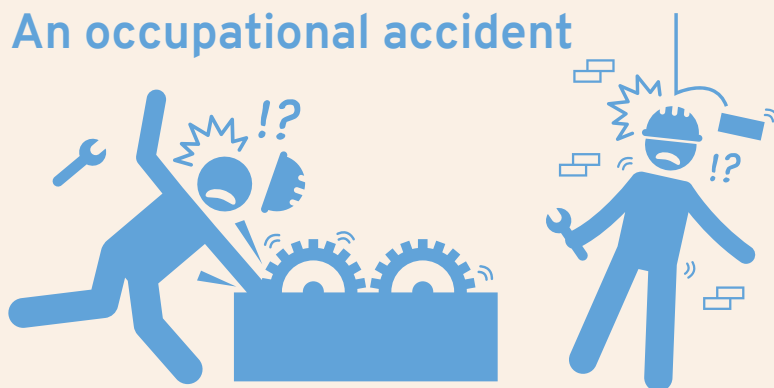
TRAINING AID G.1.1

Risk cards

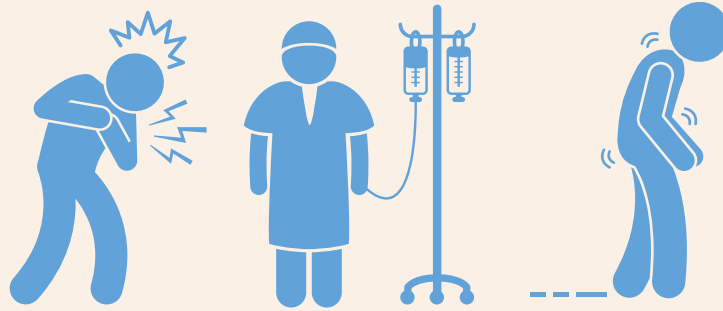
Unemployment



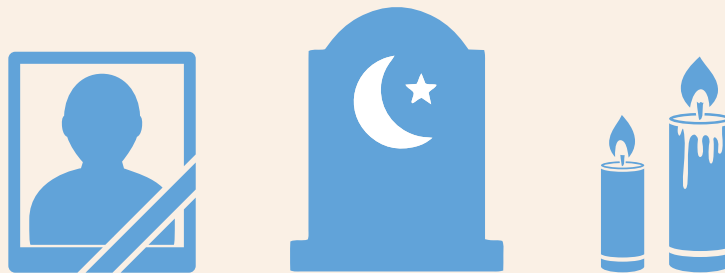
An occupational accident



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	Frequent			
	Medium			
	Rare			Example: death

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

WORKENESH'S EMERGENCY FUND

Workenesh has decided together with Kebede to build her emergency fund. To do it, she decides to create a table that indicates all their family income during the last year. The table looks like this:

Workenesh's family's income over one year

Month	Amount (ETB)
January	10,000
February	10,500
March	9,800
April	10,000
May	10,450
June	9,800
July	9,700
August	10,850
September	10,100
October	9,700
November	10,500
December	10,850
Total	122,250

Questions about Workenesh and her family:

- What is the total amount Workenesh's family earns 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 expenditure 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?

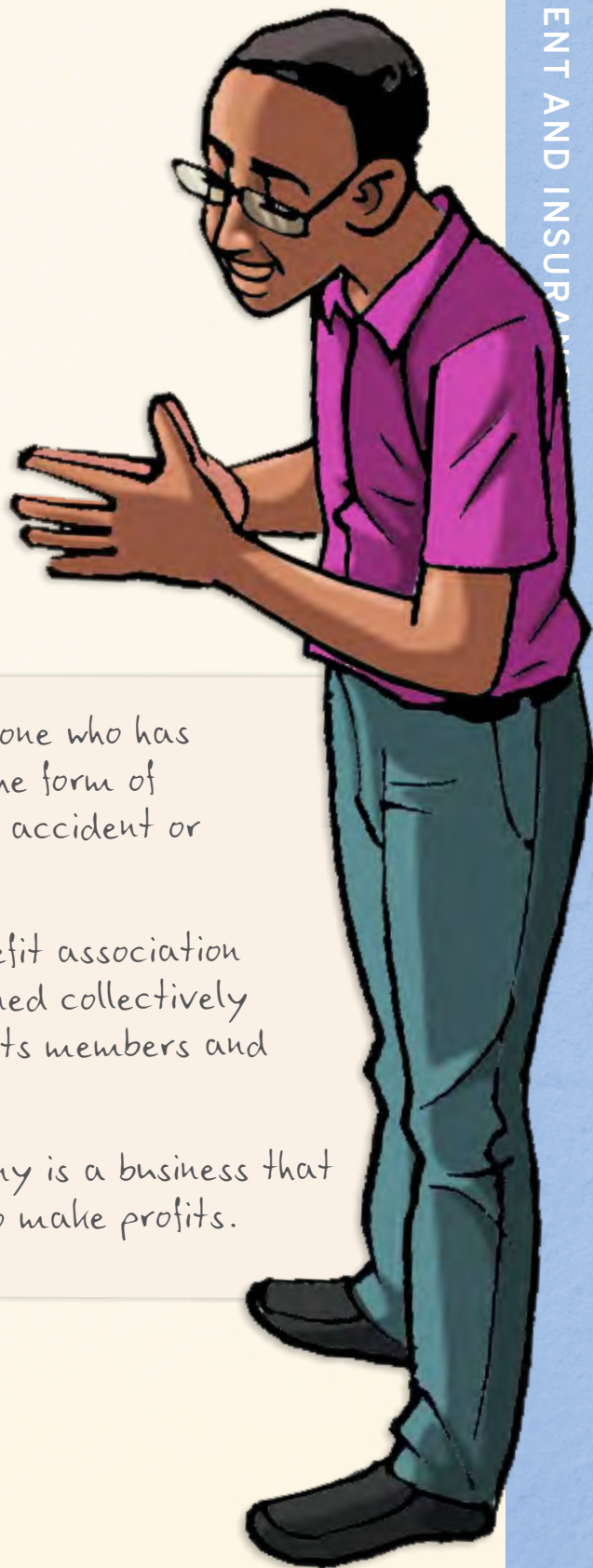
The principle of insurance is to defend ourselves against a risk we may face (accident, illness, theft...) and to set aside some money to receive a compensation the day the event will occur.

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

GEMECHU INJURES HIS FOOT

was not seriously injured. At first, his foot did not hurt much, but that evening it got very swollen.

Fortunately, Gemechu was registered formally as an employee at the company. They had an insurance policy that would cover accident-related expenses for all workers, such as medicines, consultations with the doctor and hospital visits. A small amount of money is deducted from the monthly salary of each employee to pay for this. It is the first time Gemechu faces an accident like that. He decides to call the insurance company to ask them about the process and procedures to follow. Gemechu was relieved - he would not have to pay the bills himself.

Gemechu had an accident yesterday. While he was replacing the battery of the truck at work, he got distracted for a minute and the battery fell on his right foot. Fortunately, he



Case
Study N°3

FISSEHA, DAWIT'S FATHER, INJURES HIS FOOT

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 his supervisor for fear of losing his job (his manager gets very angry when workers ask for time off). He was also afraid that, if he had to go through expensive diagnosis and treatment, he would not have enough money for this.

He was sure there was no insurance policy at the factory for employees like him. At night, the pain was unbearable so Fisseha went to the hospital. The doctor told him that he needed x-rays and medicines, but they do not have enough money for that. Dawit decided to borrow money from an informal lender to pay for these expenses and get a treatment. They would like to avoid having to borrow money if something similar were to happen again.

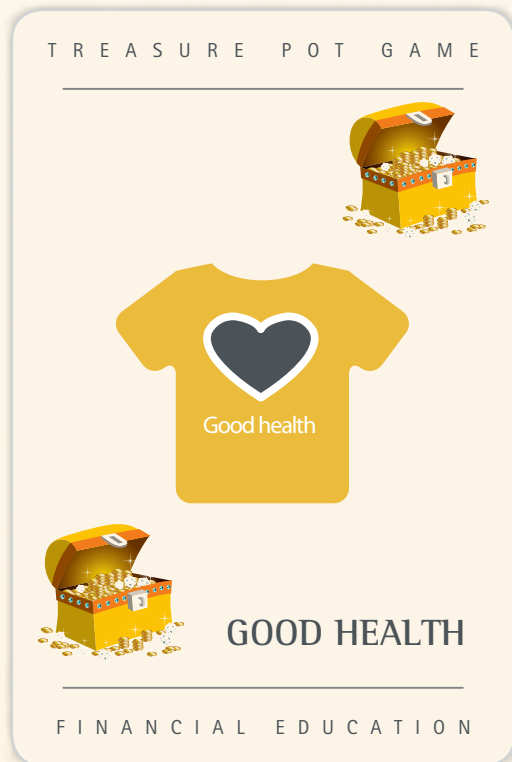
One day at work, Dawit's father, Fisseha, dropped a heavy tool on his foot and broke his toe. He did his best to stop the bleeding and bound up the wound. He tried to ignore

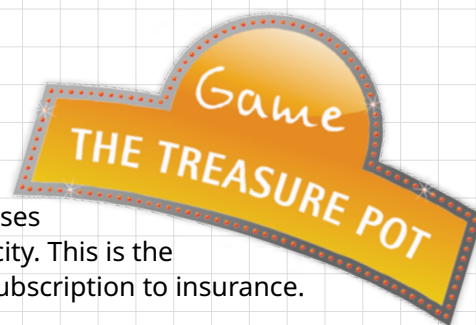


IMPORTANT: Sometimes our stress can have an impact on our body . If money management worries you this can result in physical health problems

TRAINING AID G.2.1

Treasure pot game playing cards





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.

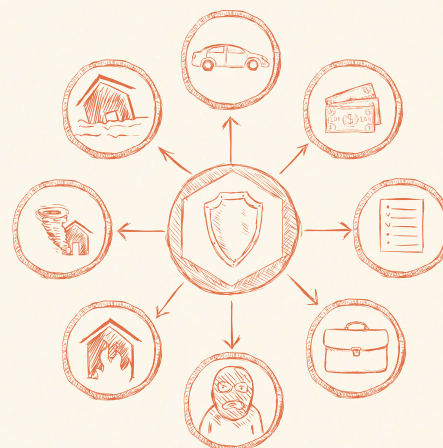
The secret of risk pooling lies on the fact that we all contribute with a part of our resources to a common pot. We do not need to draw from this pot all at the same time. However, insurance works only if all contribute together.

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: Some workers, especially workers who receive a salary from formal enterprises (i.e. from a company registered with the State services and that pays taxes), have insurance coverage but often they don't know what it covers or how to use it. Sometimes, insurance company employees do not clearly explain insurance mechanisms, and they use complicated terms. Remember also that now the community-based health insurance (CBHI) is a very good way of having an insurance policy that protects you in case of health issues.



REMEMBER

knowledge is power. You should know what insurance is (events covered, payment, 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 come with a number of different risks. Some risks are general and may happen to anyone. Other risks may be specific to categories of people.

Let's look at the specific risks faced by migrants

GENERAL RISKS	RISKS SPECIFIC TO MIGRANTS
• Risk of death • Risk of illness • Risk of accident • Risk of theft	• Risk of depression from being away from your loved ones • Risk of being fired • Risk of physical, psychological and/or sexual abuse/harassment, especially for irregular migrants • Risk of unpaid wages • Risk of death, illness, accident in a foreign country • Risk of unemployment • Risk of accident during work hours • Risk of occupational disease • Risk of termination of contract • Risk of legal problems



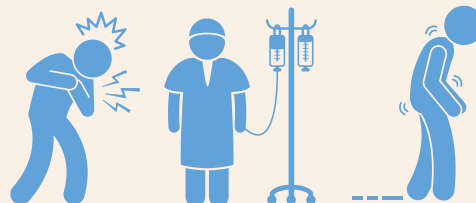
TRAINING AID G.3.1

Risk cards

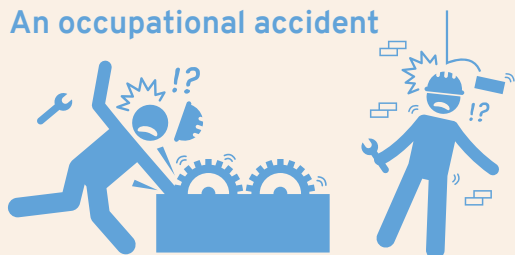
Unemployment



Sickness



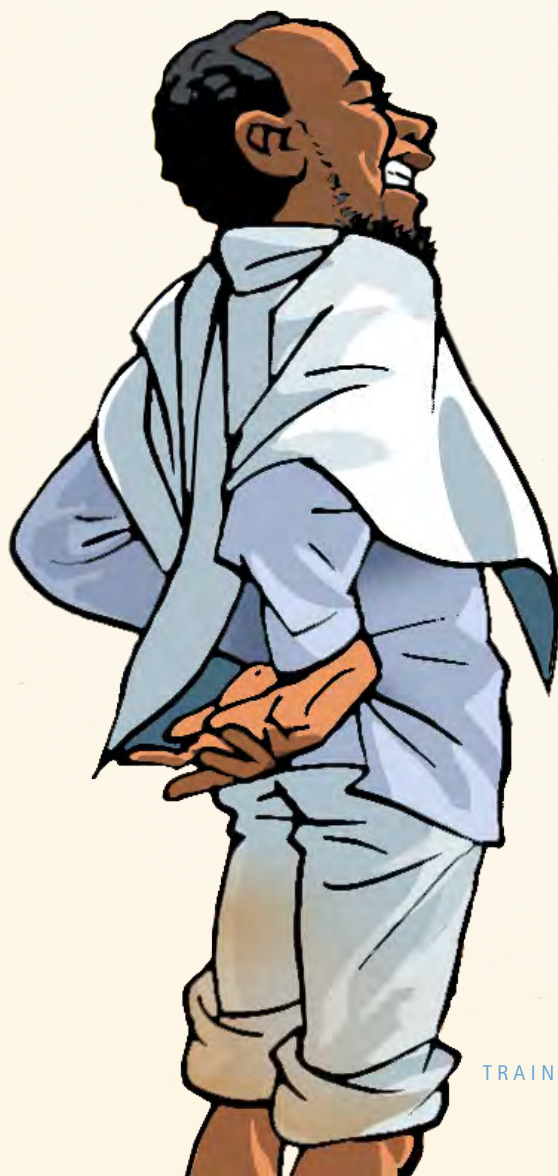
An occupational accident



A death



Fire



QUESTIONS

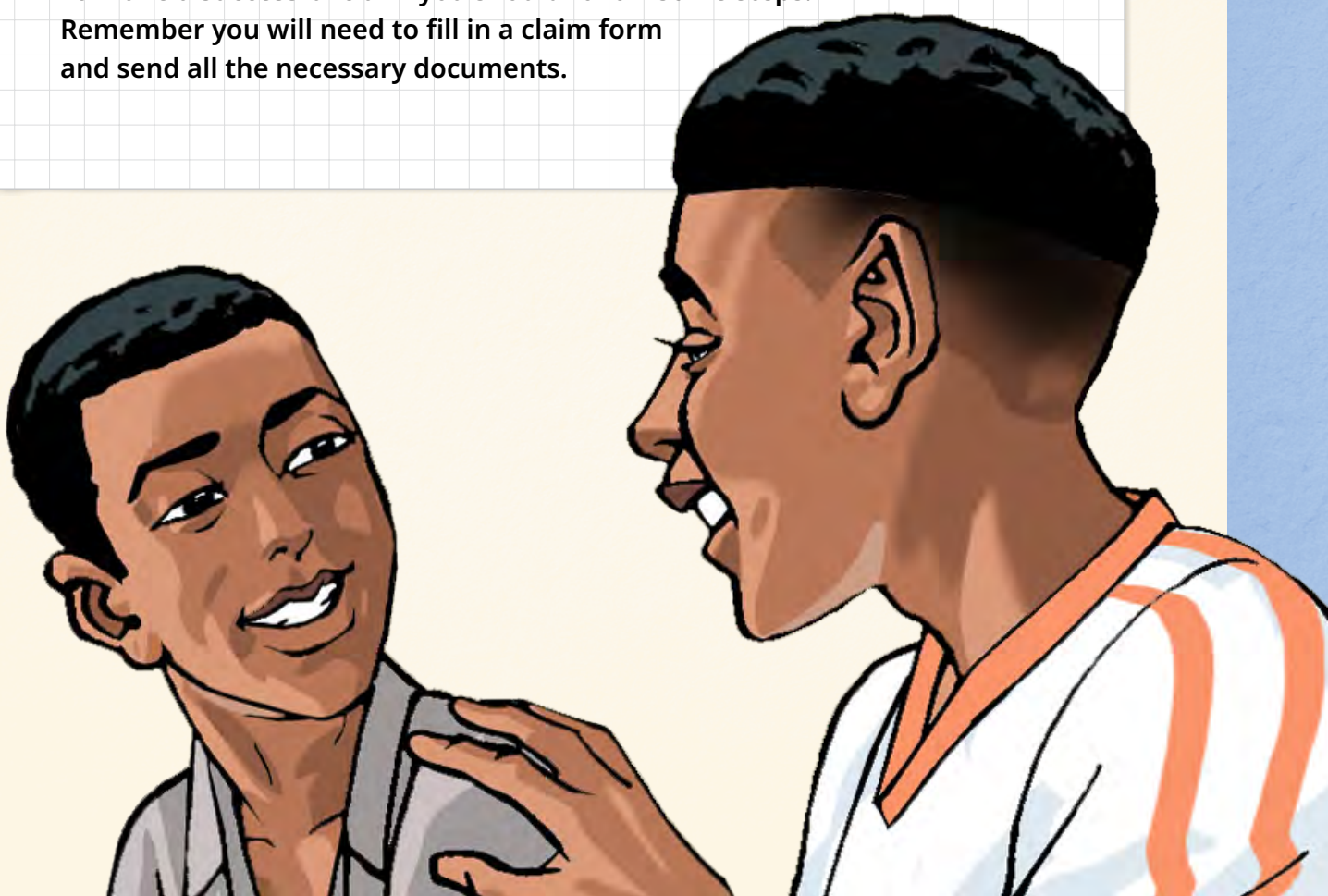
- Do you have an insurance policy? If you don't, would you like to have one? ☐ Yes ☐ No
- Do you know the key insurance terms? ☐ Yes ☐ No

Let's review the key terms and definitions

BASIC INSURANCE TERMS

Compensation or pay-out	<i>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...) has occurred, subject to presentation of a valid claim.</i>
Policy	<i>The agreement between the insured (the customer) and the insurance company. The policy sets out the terms, conditions, duration, risks covered and exclusions.</i>
Premium	<i>The price or cost of an insurance policy, often split into monthly or quarterly instalments.</i>
Insured (person) / member / beneficiary	<i>The person who receives the insurance pay-out when a risk covered by the policy arises.</i>
Claim	<i>Request for compensation following a loss covered by the insurance policy</i>
Insurance card	<i>Card issued by the insurance provider as proof that the policyholder has paid for a premium.</i>

**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...

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

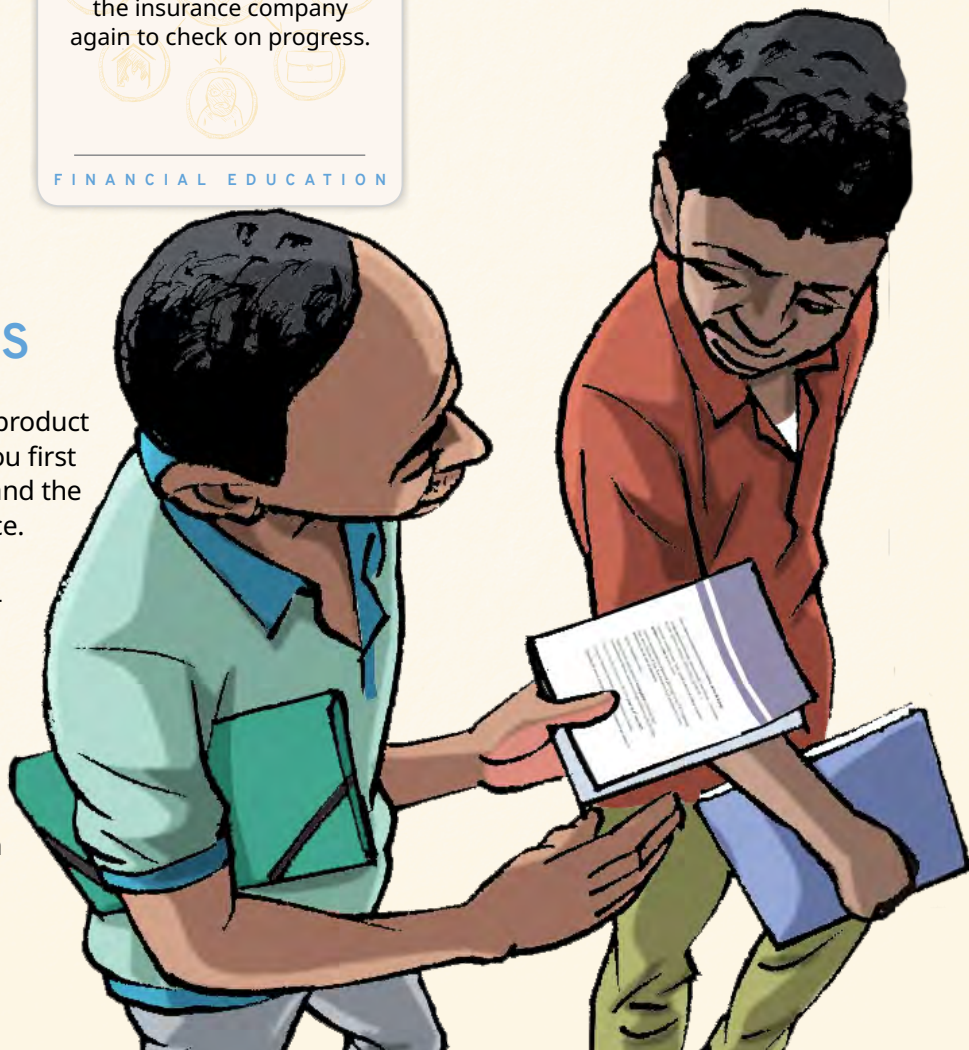
STAGES IN MAKING AN INSURANCE CLAIM

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 EDUCATION

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 Workenesh

Abayneh, Workenesh's brother, travels a lot for work and after a bad accident he had a few months ago, he decided to take out a health insurance.

During the winter, Abayneh comes to visit Workenesh and her family. After a few days, Kebede has a fever and a headache. The doctor says that Kebede has COVID-19 and he has to be hospitalized.

- Will Abayneh's insurance cover the costs of Kebede's health care? Why?

CASE STUDY #2 Gemechu

Gemechu fears that he will not be able to pay the premiums for the new health insurance policy he has been offered for his parents. But he knows they might need complicated medical treatments as they get older. Especially his father who for the past months has been struggling with his knee and most probably will need a surgery soon.

Even though the premium provides health coverage for a year, Gemechu wants to subscribe to the policy for just three months, beginning one month before his father's knee surgery and ending two months after the operation.

- Can Gemechu purchase an insurance policy for just three months? Why?

CASE STUDY #3 Areaya, Tirihas' Father

After some minor accidents in the family, Areaya has signed up to a health insurance policy for him and his wife Letebirhan. This type of insurance, called community-based health insurance (CBHI), is very common among rural workers like him.

During the first year, none of them suffered any health problems. Letebirhan thought Areaya should get a refund of at least some of his premiums, as he had not used the policy to obtain health care.

- Is Areaya entitled to a refund? 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:

HEALTH INSURANCE CASE STUDIES (TRAINING AID G.4.1)



SOLUTION CASE STUDY #1

Will Abayneh's insurance cover the costs of Kebede's health care? Why?

No, Abayneh's policy clearly does not cover Kebede. A policy of this kind typically covers only the immediate family (husband, wife and their children). The only exception would be if the person who gets the insurance, paid an additional premium for someone else when he took out the policy.



SOLUTION CASE STUDY #2

Can Gemechu purchase an insurance policy for just three months? Why?

Gemechu cannot buy a cover for just three months because the premiums are set for one year. He cannot change the number of months; he must pay the insurance premium for a whole year.



SOLUTION CASE STUDY #3

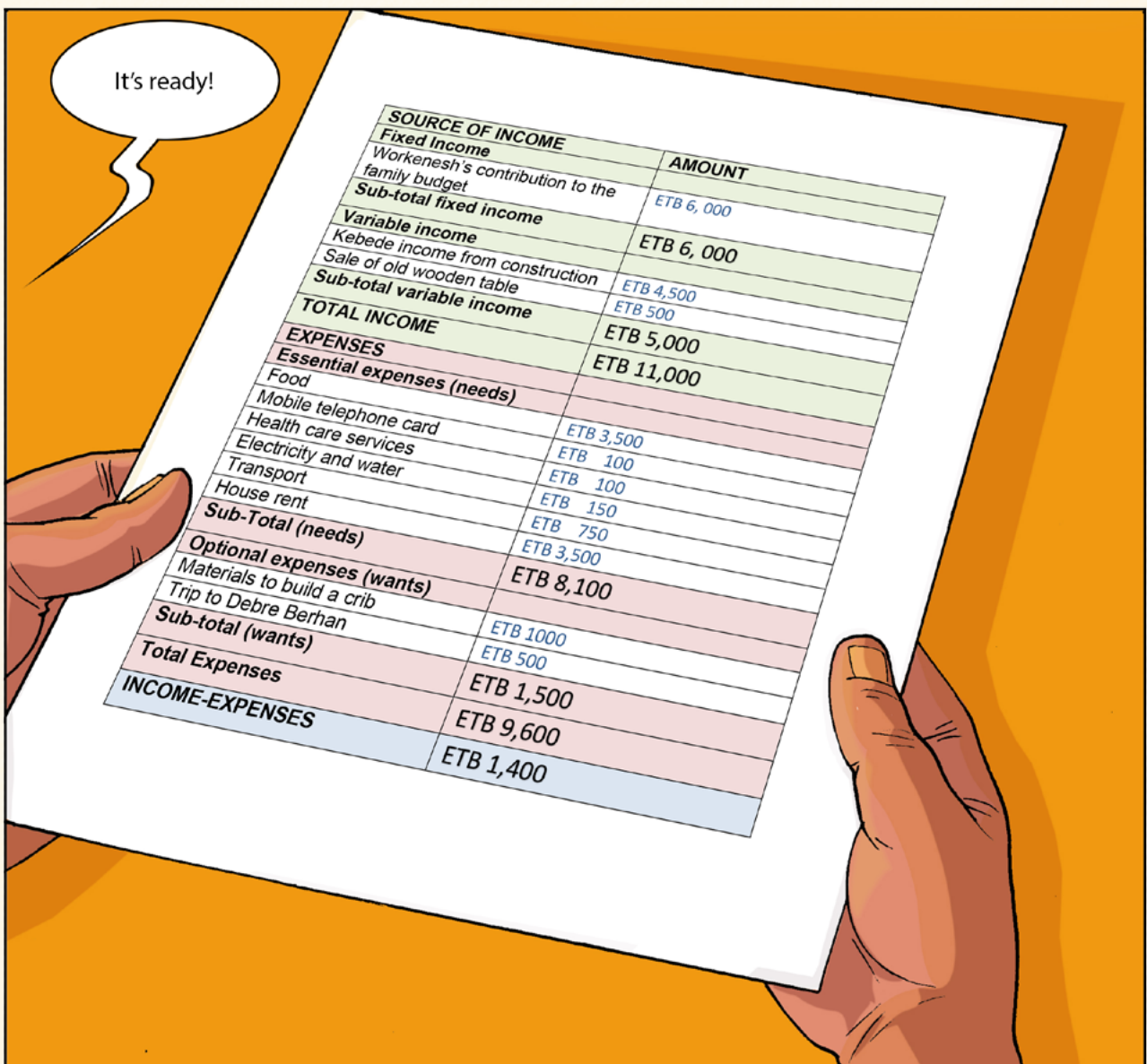
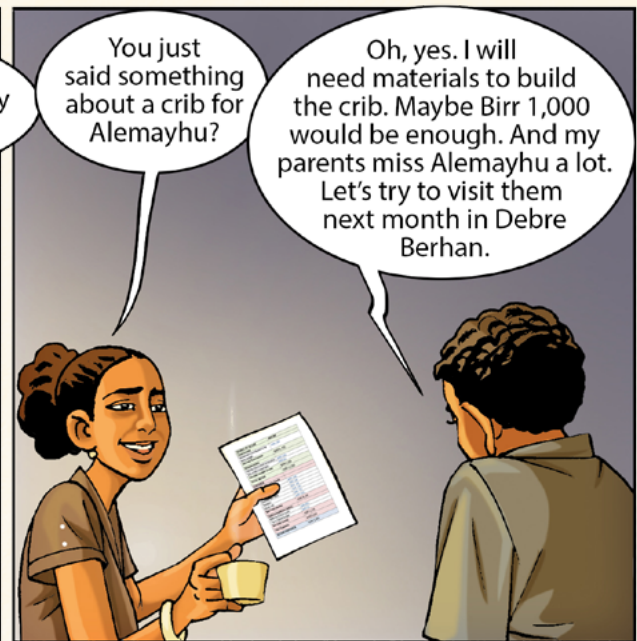
Is Areaya entitled to a refund? Why?

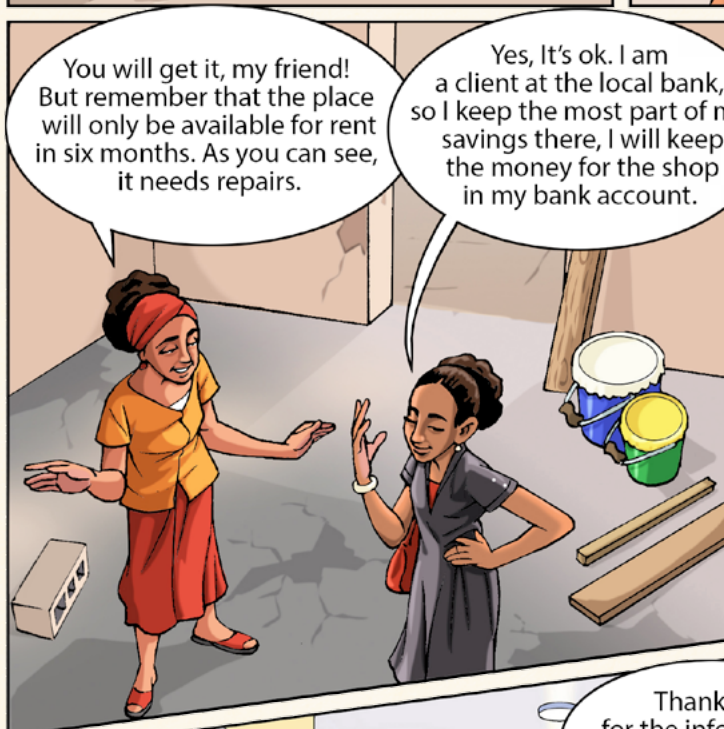
Tirihas's father is not entitled to a refund, because the purpose of his health insurance is to provide protection against a risk. Even if no one in his family falls ill or needs to see a doctor, his premiums will not be refunded.



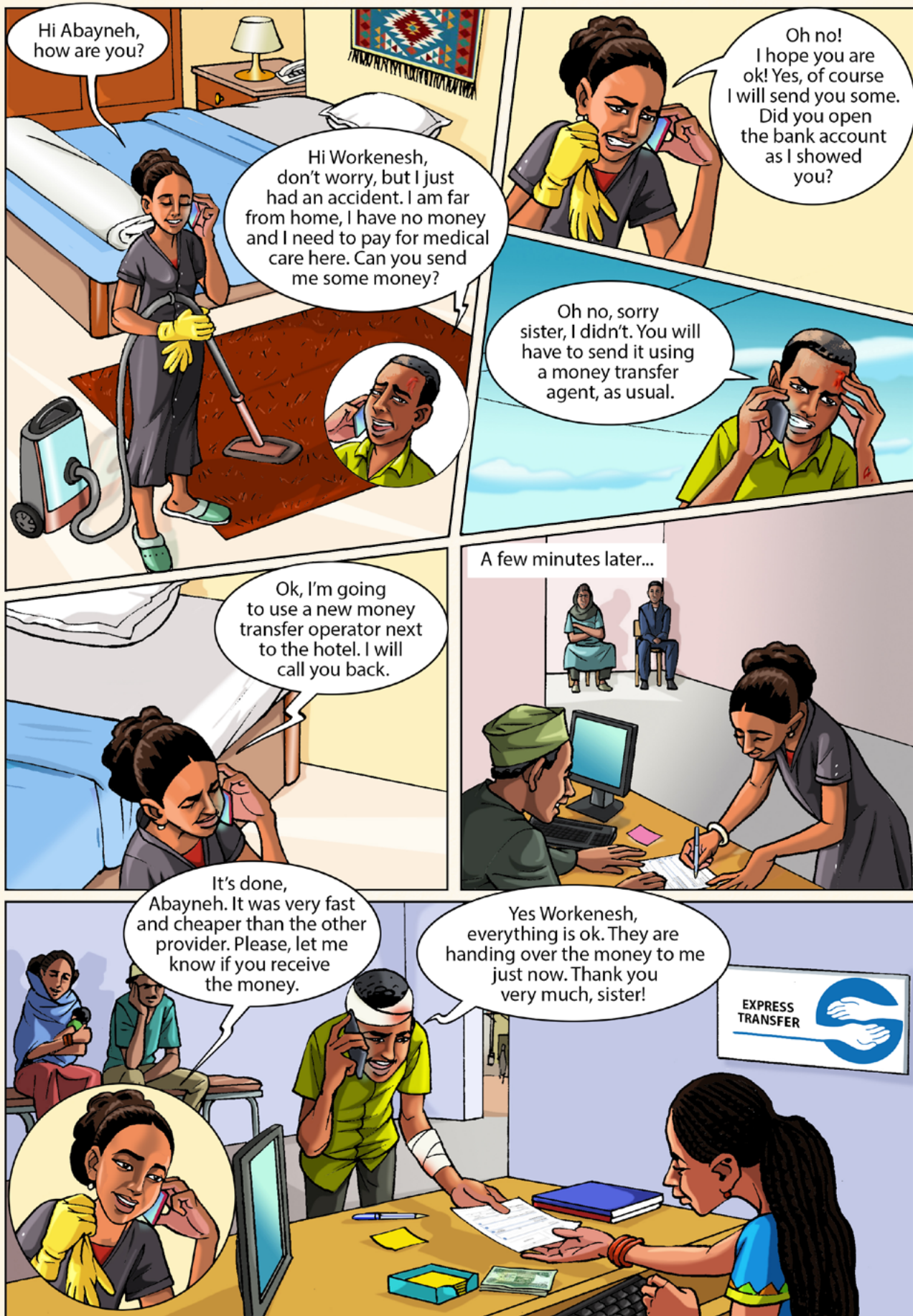
Workenesh

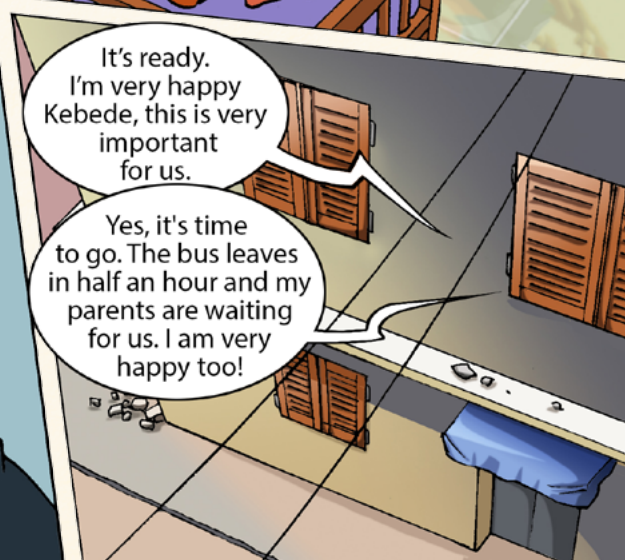
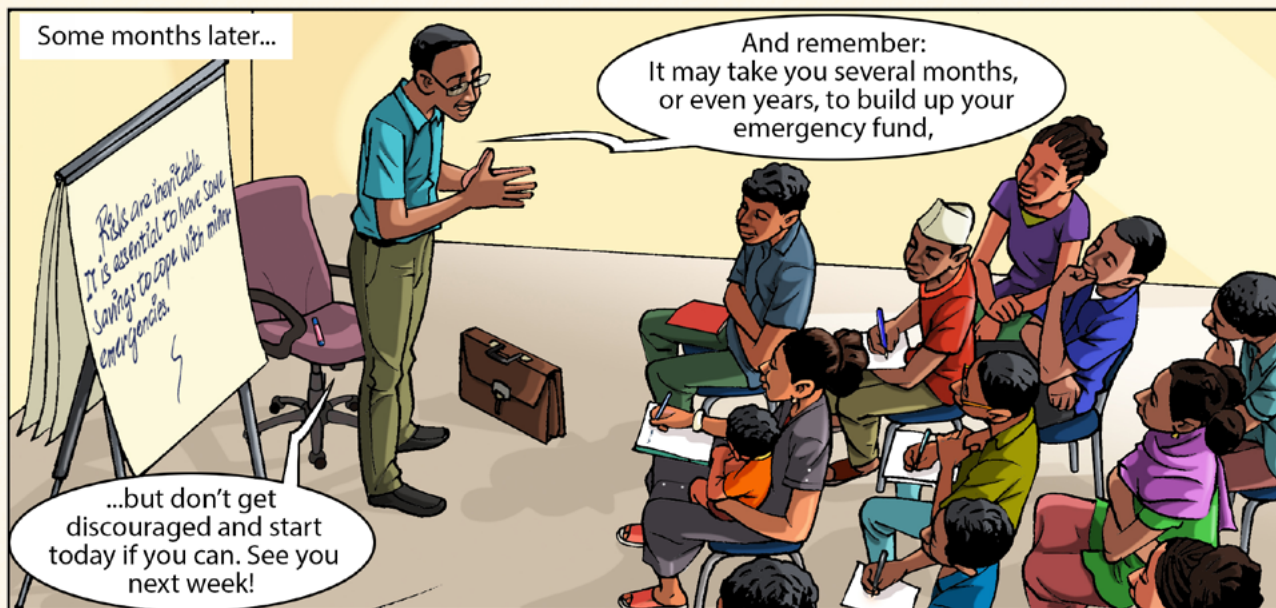






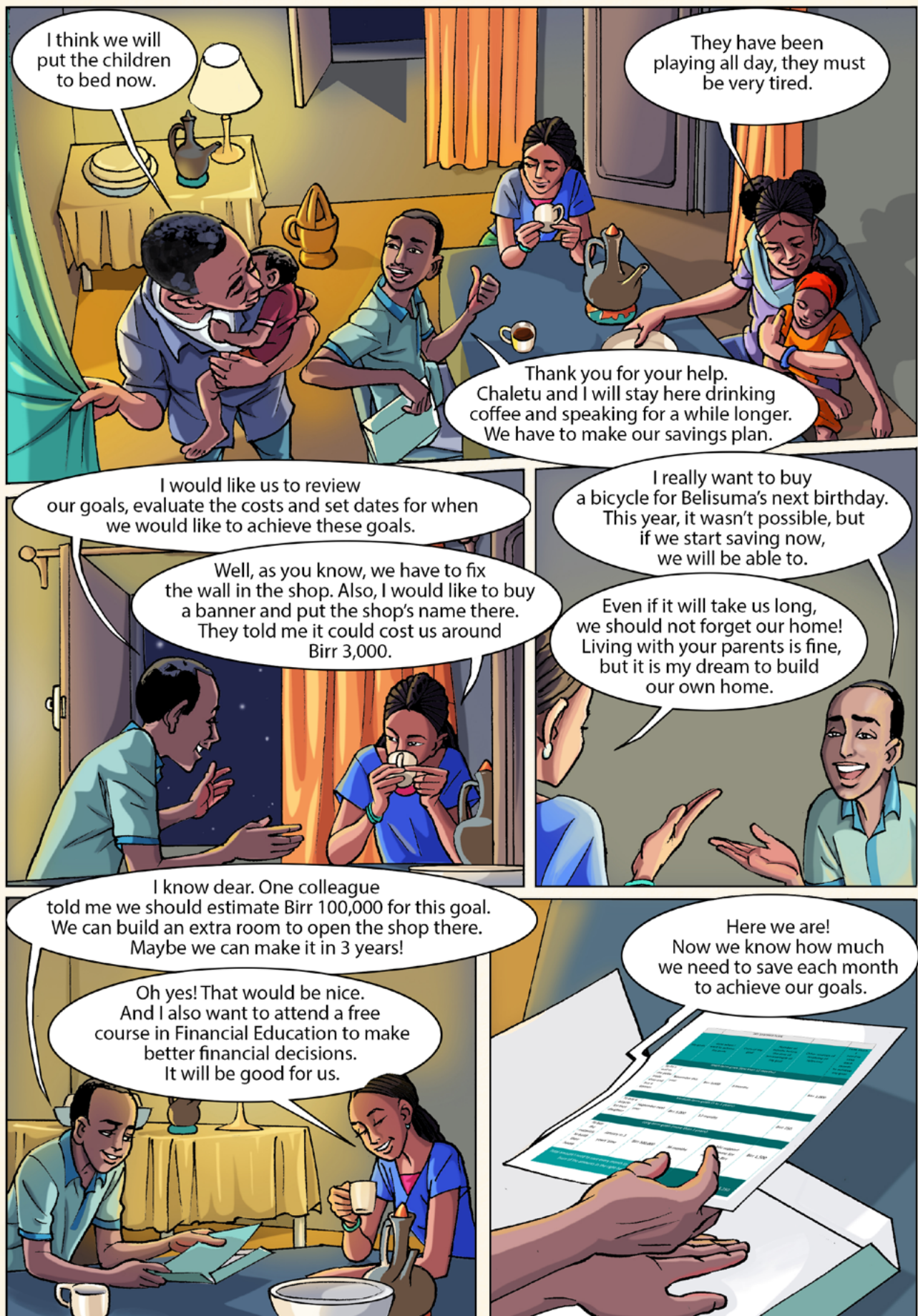




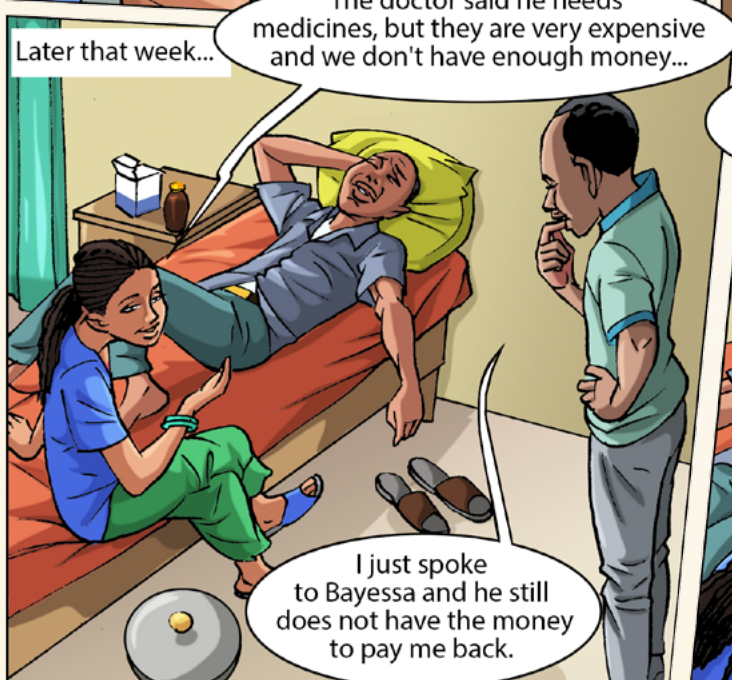
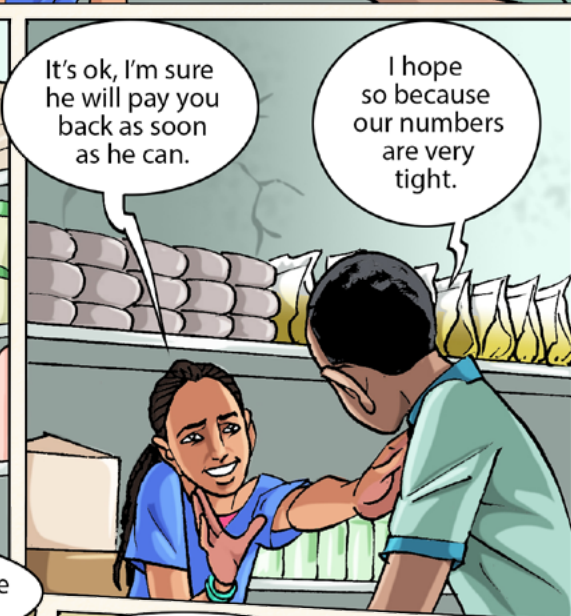
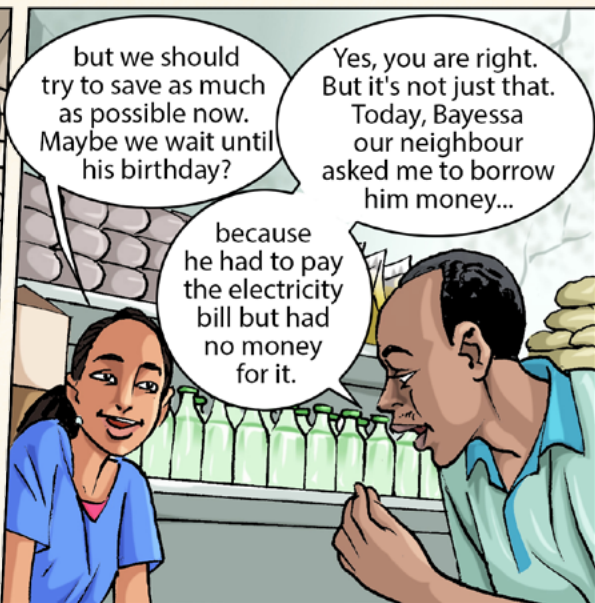
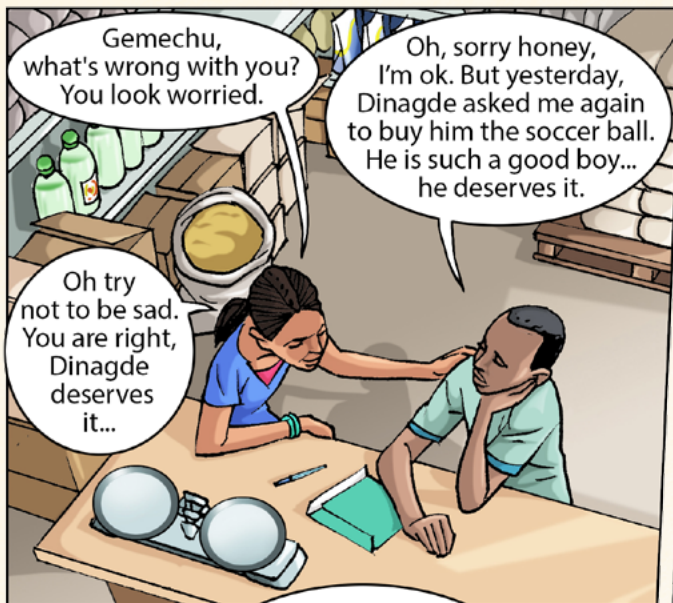


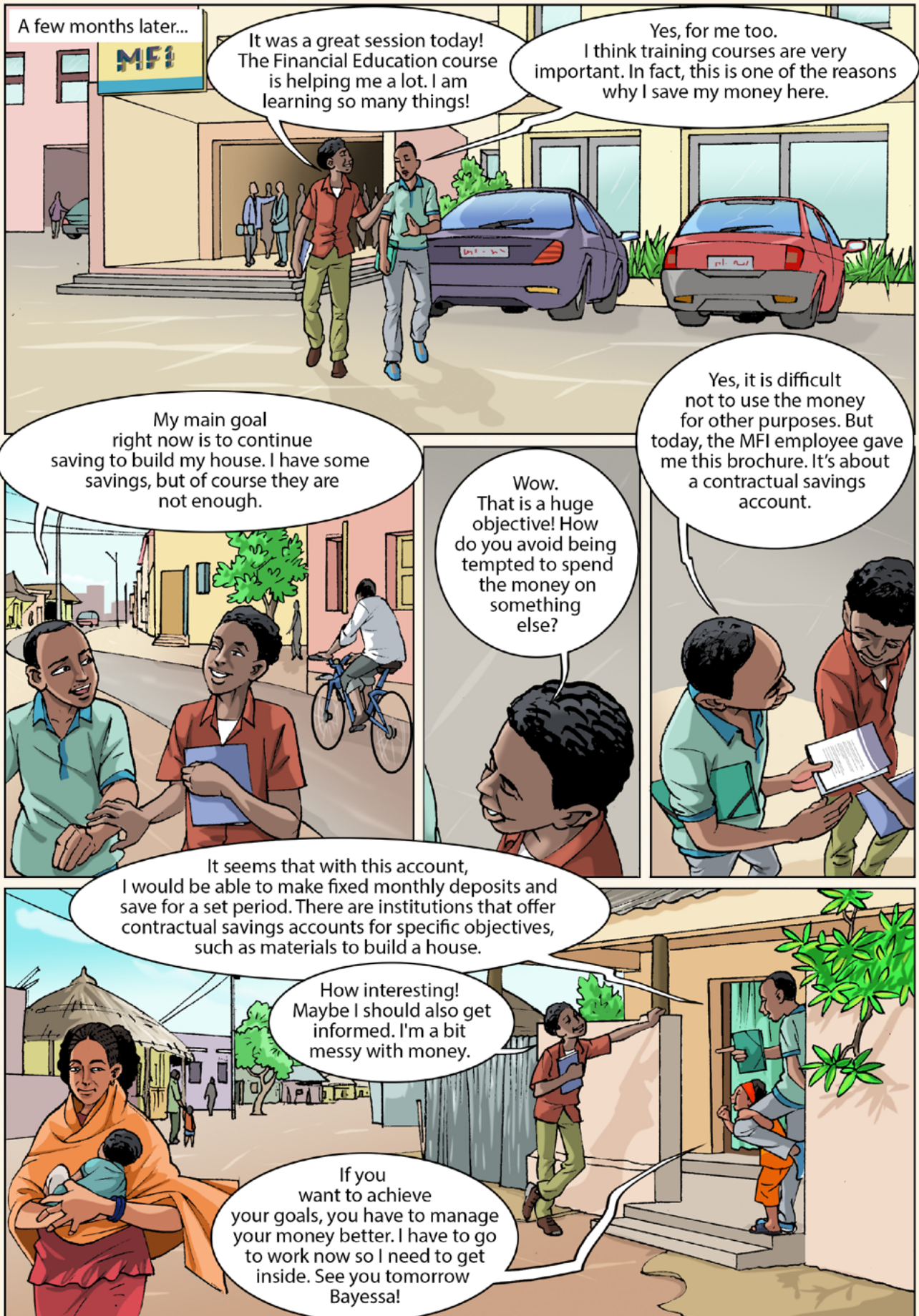
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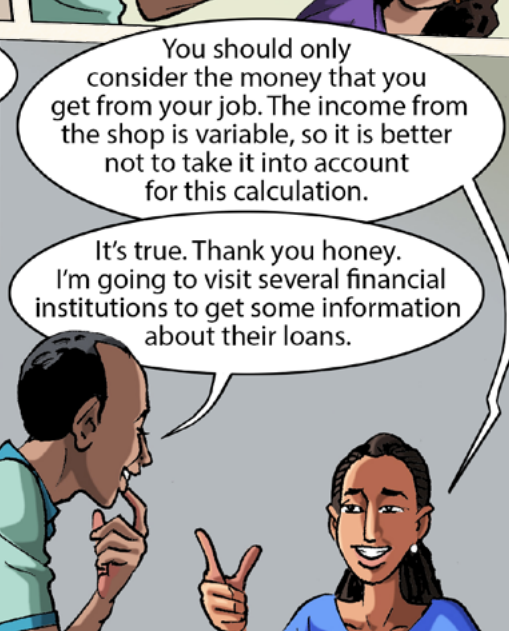
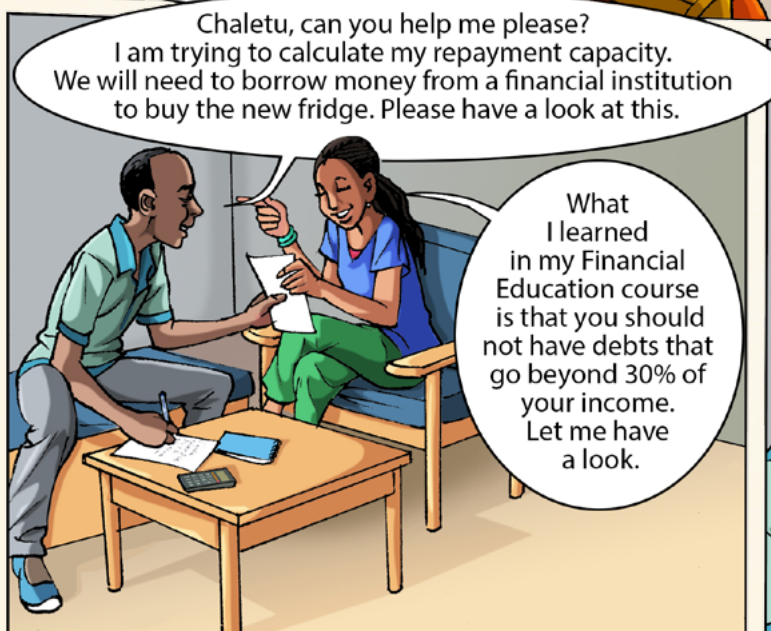
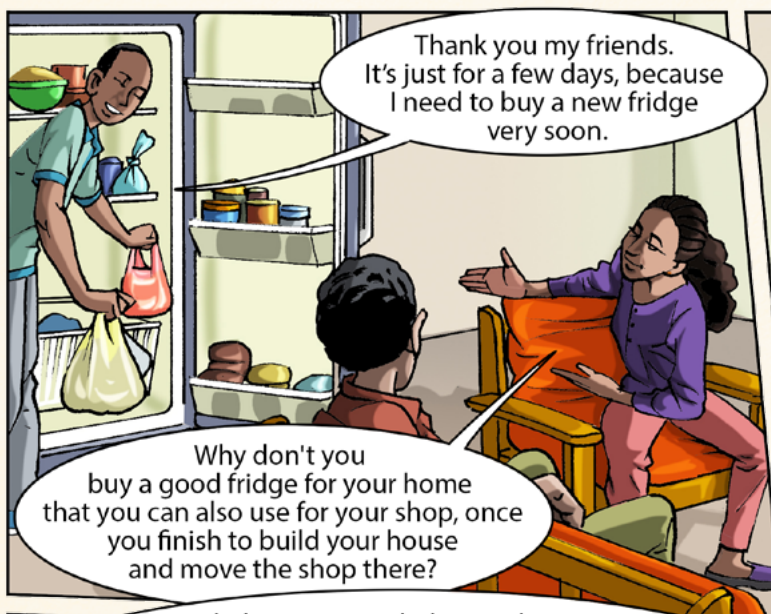
Gemechu

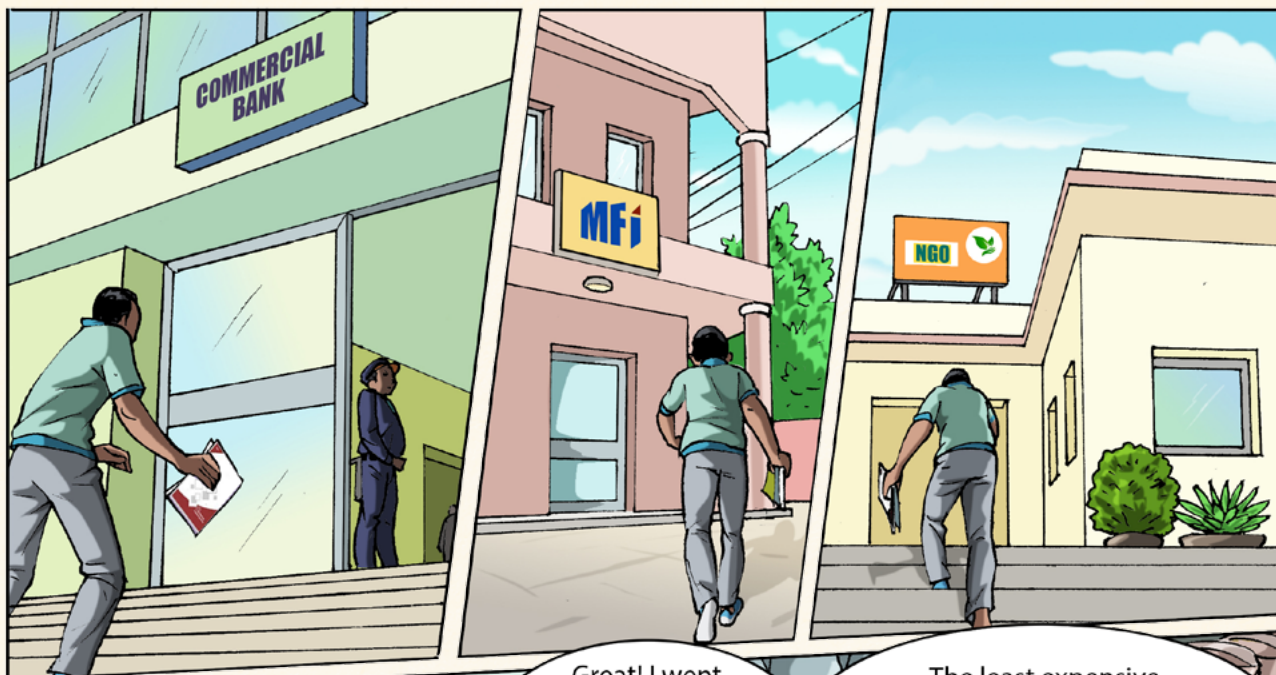


MY SAVINGS PLAN					
My goals	Date when I want to achieve my goals	Costs of my goal	Number of months before the date of achievement of my goal	Other sources of financing (if relevant)	How much I need to save each month to achieve my goal
Short-term goals (less than 12 months)					
To fix a wall in the petty trade shop and buy a banner	November this year	Birr 3,000	3 months		Birr 1,000
Medium-term goals (1 to 3 years):					
To buy a bicycle for Belisuma	September next year	Birr 9,000	12 months		Birr 750
Long-term goals (more than 3 years):					
To buy the materials to build our house	January in 3 years' time	Birr 100,000	36 months	Public support programme for returnees Birr 46,000	Birr 1,500
Total amount I need to save every month to achieve all my goals (sum of the amounts in the right-hand column):					Birr 3,250









In the afternoon...

Hi Gemechu! How did it go?

Great! I went to the bank, the MFI and the NGO. I have these brochures with information about loans.

The least expensive loan is the one offered by the NGO, but the monthly instalment is too high for me. So, the NGO is not an option right now.

Now, I have to find out which product is the most suitable for me.

And what about the other factors that are important to us?

Like the amount that we can borrow or if they have non-financial services available.

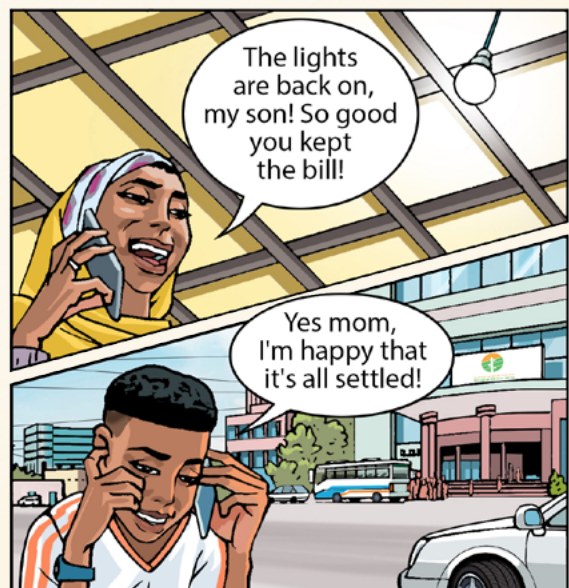
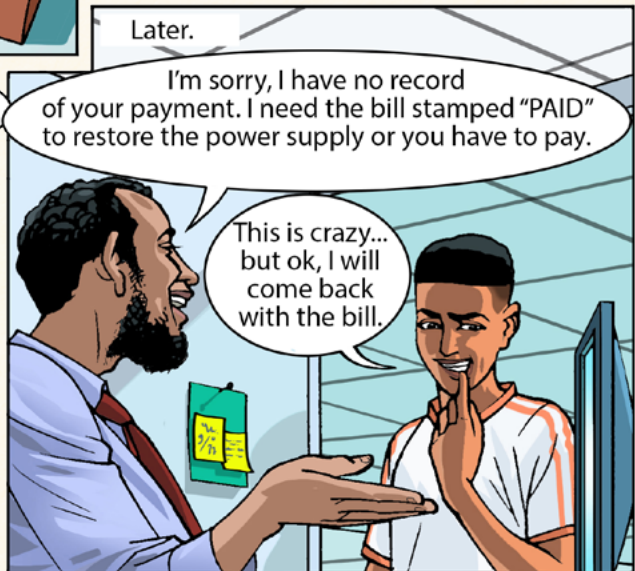
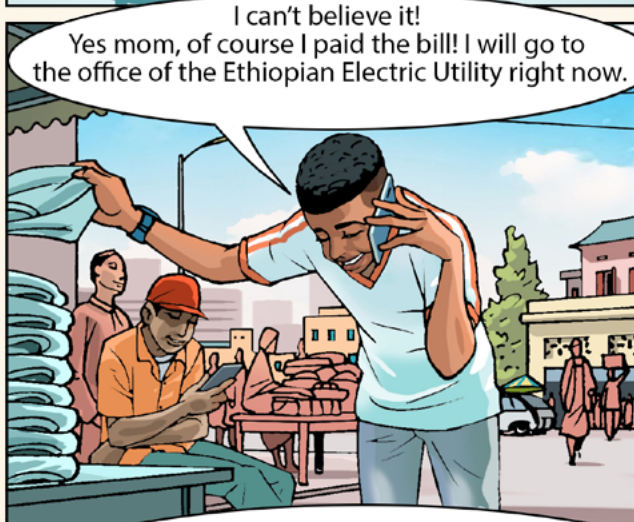
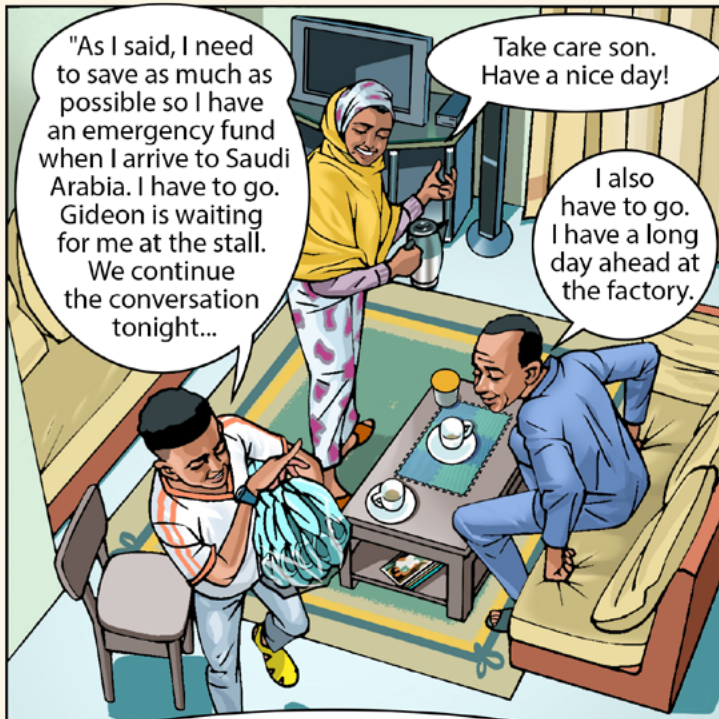
Well... the loan amount is not a problem, but the MFI is the only one that offers support and non-financial services. We need to review the terms and conditions.

It sounds good. Let's go home and take a good look at the options there.

I am very proud of us and how much we have learned about making better decisions with our money. Every day we are closer to achieving our goals.

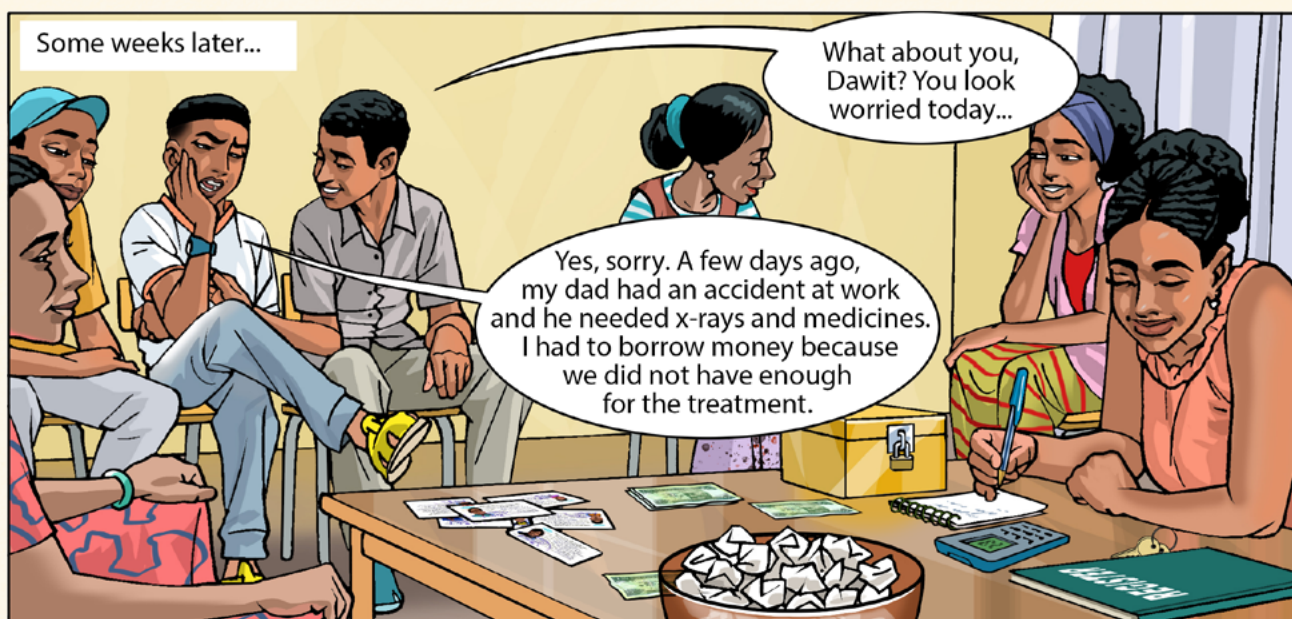
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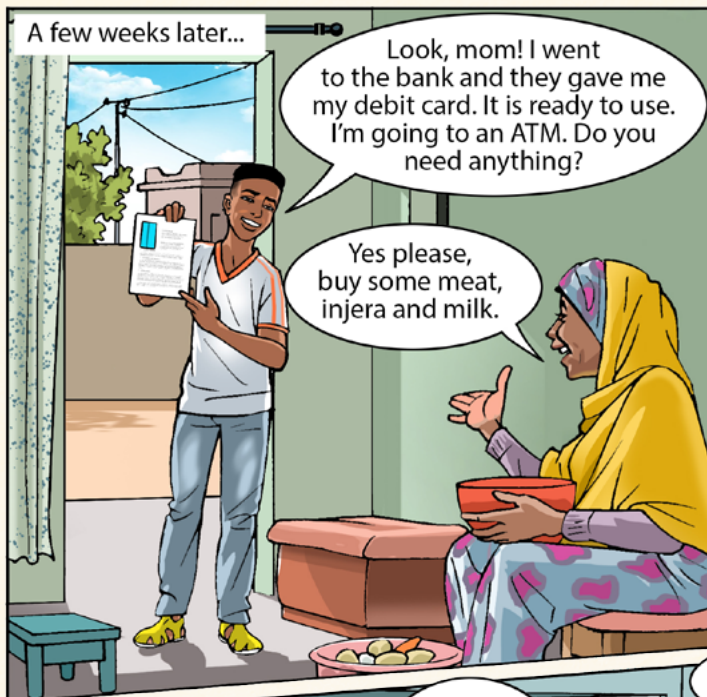
Dawit











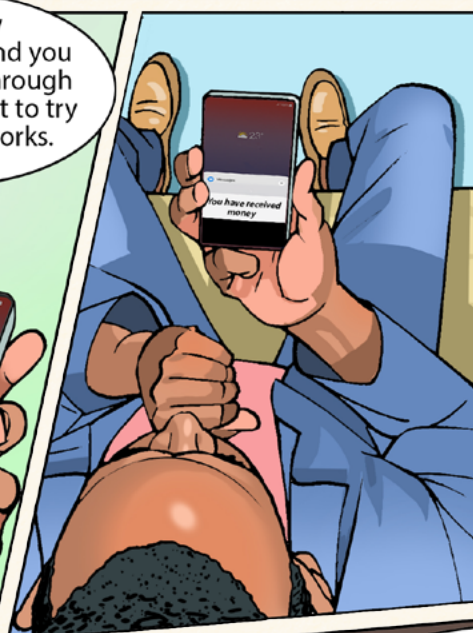


Ok, I'm ready.
Now, open the app.

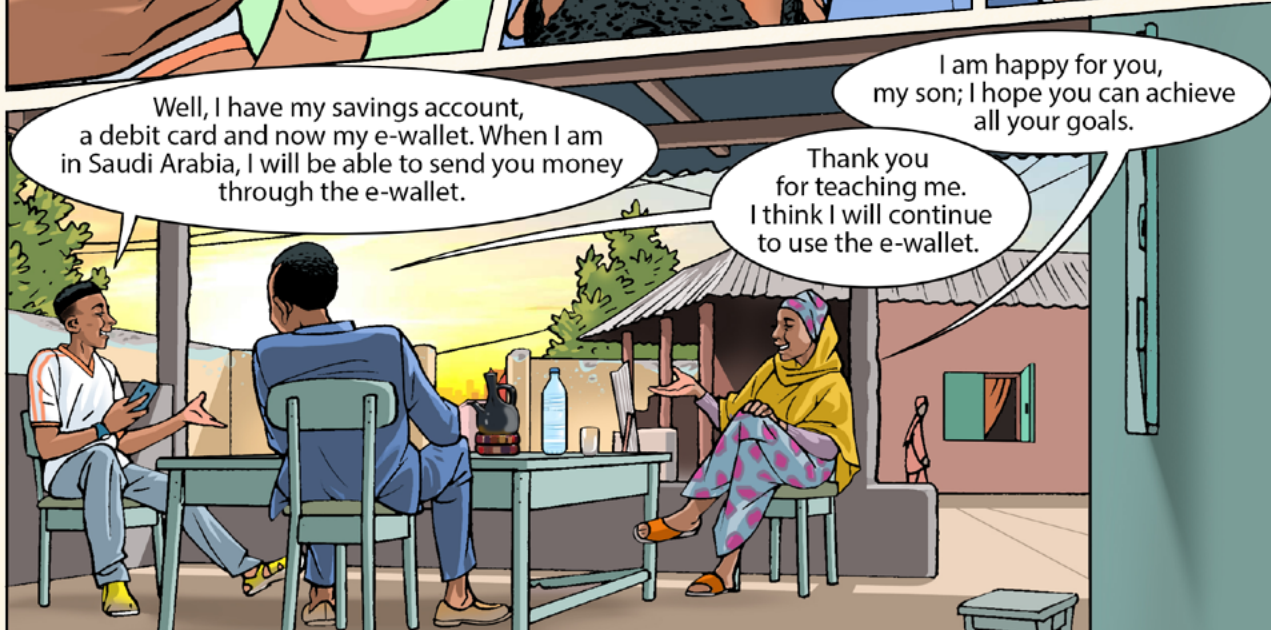
Slowly, slowly...
let me see...
done!



Well, now
I'm going to send you
some money through
my e-wallet. Just to try
it to see if it works.



Look! Here
is the money!
Woow, I'm amazed.
It was so fast
and easy.

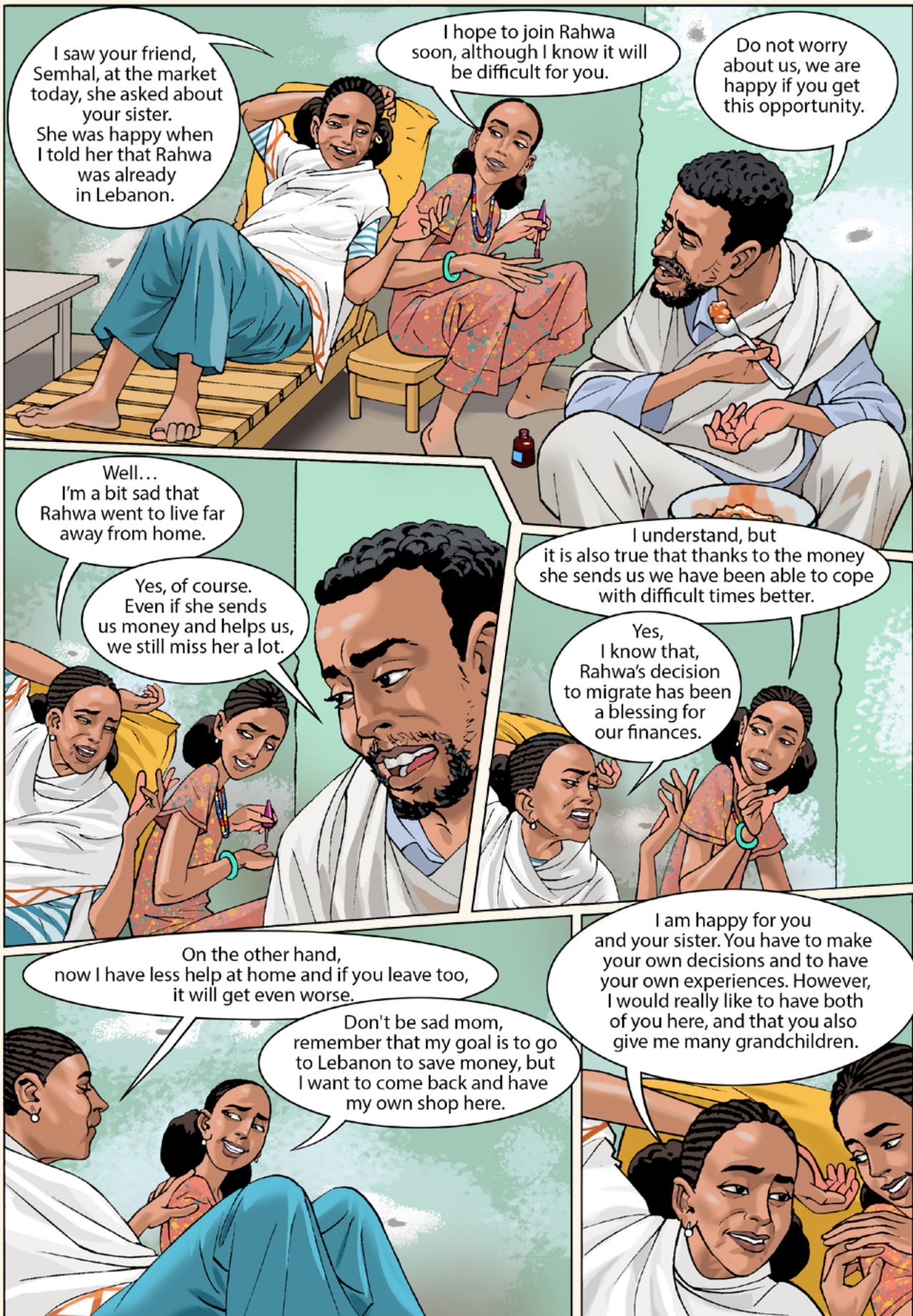


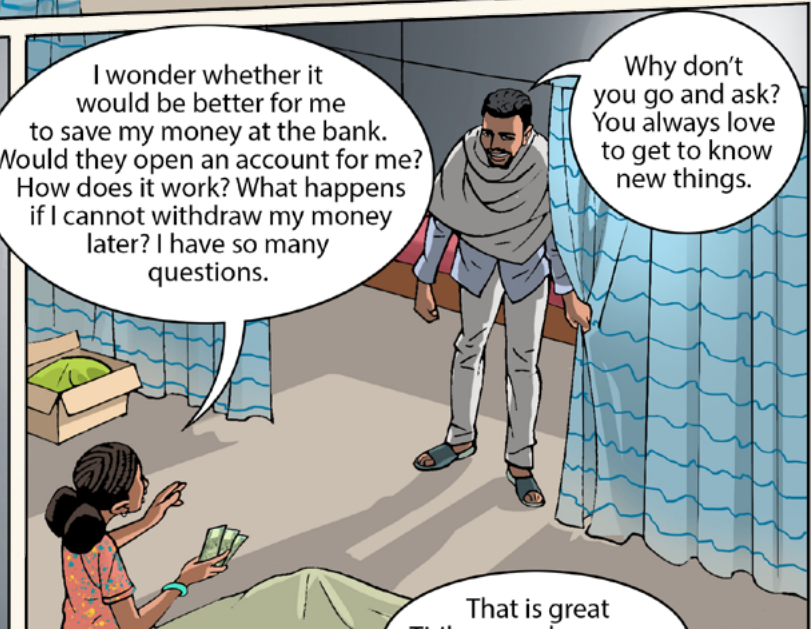
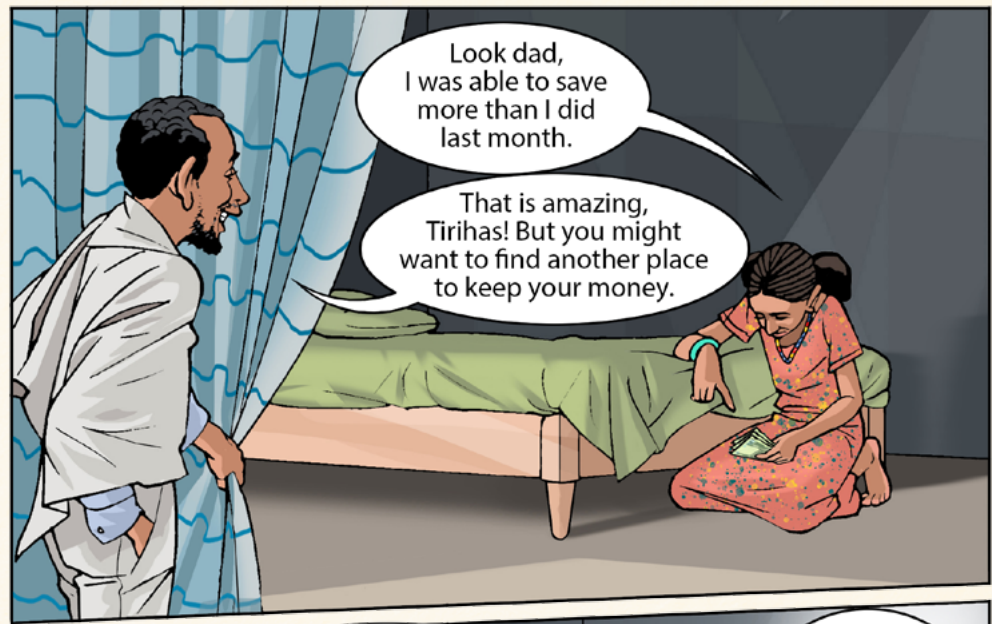
Well, I have my savings account,
a debit card and now my e-wallet. When I am
in Saudi Arabia, I will be able to send you money
through the e-wallet.

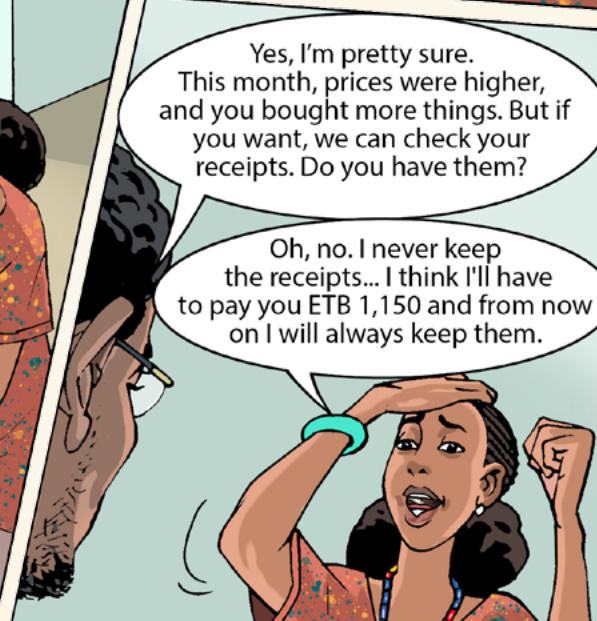
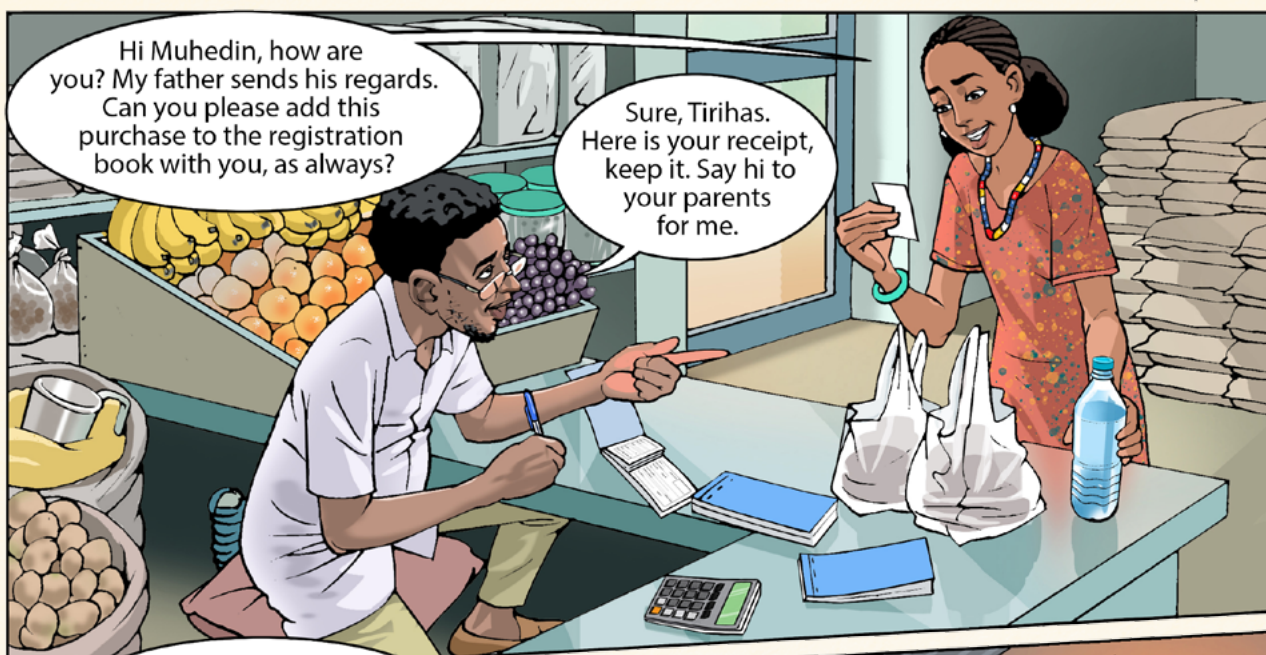
Thank you
for teaching me.
I think I will continue
to use the e-wallet.

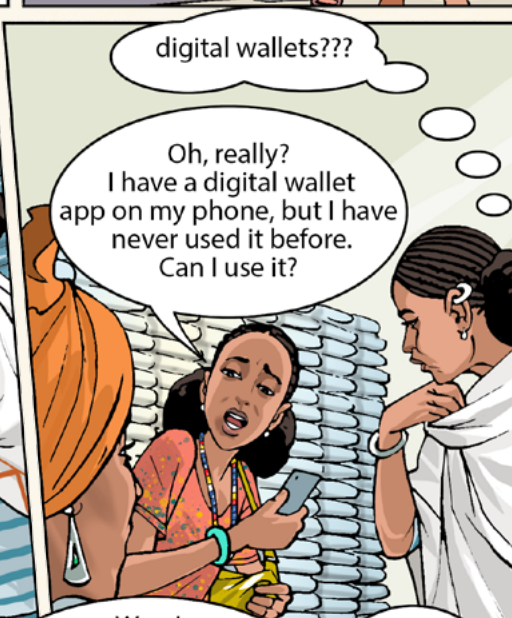
I am happy for you,
my son; I hope you can achieve
all your goals.

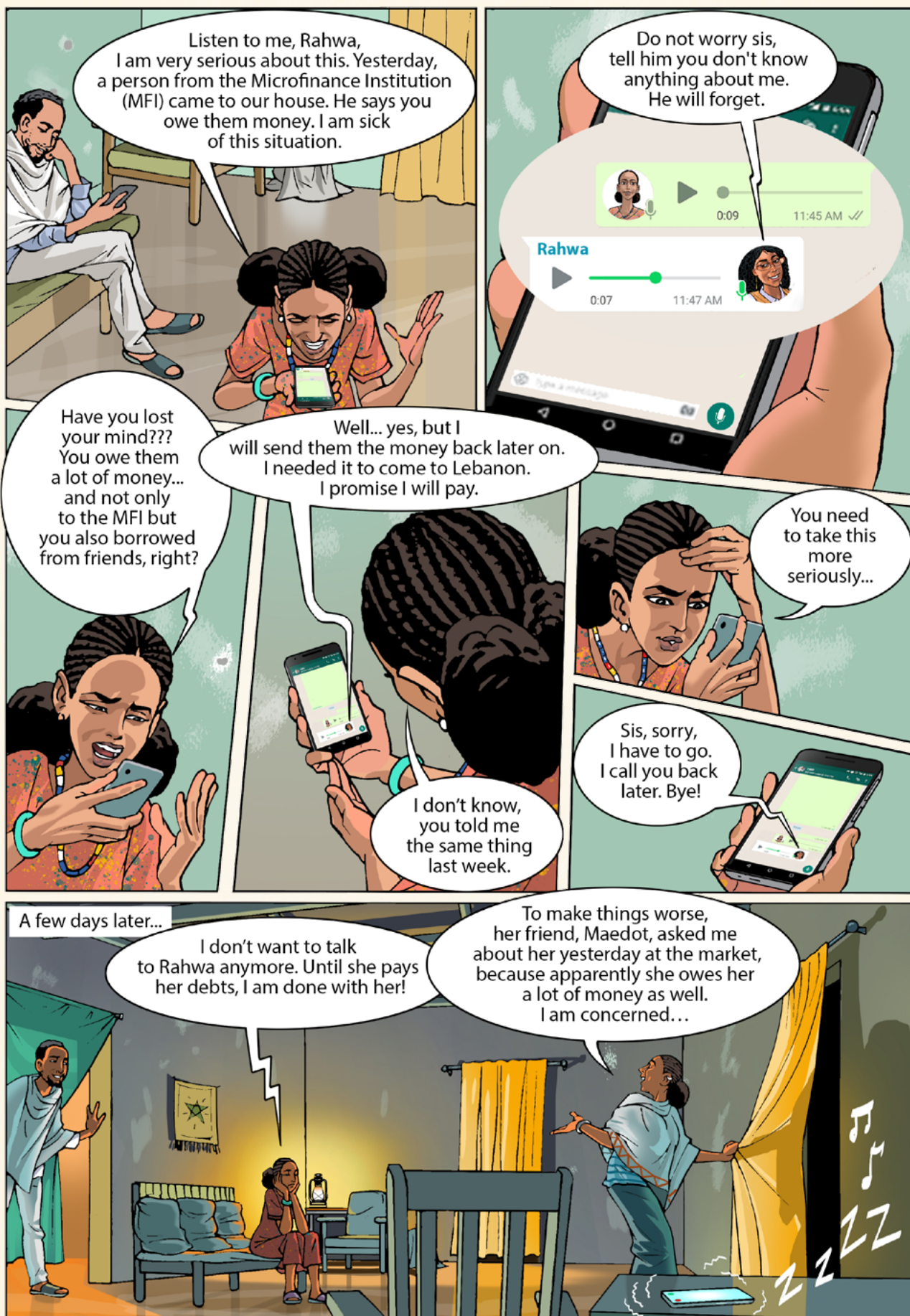
Tirihas

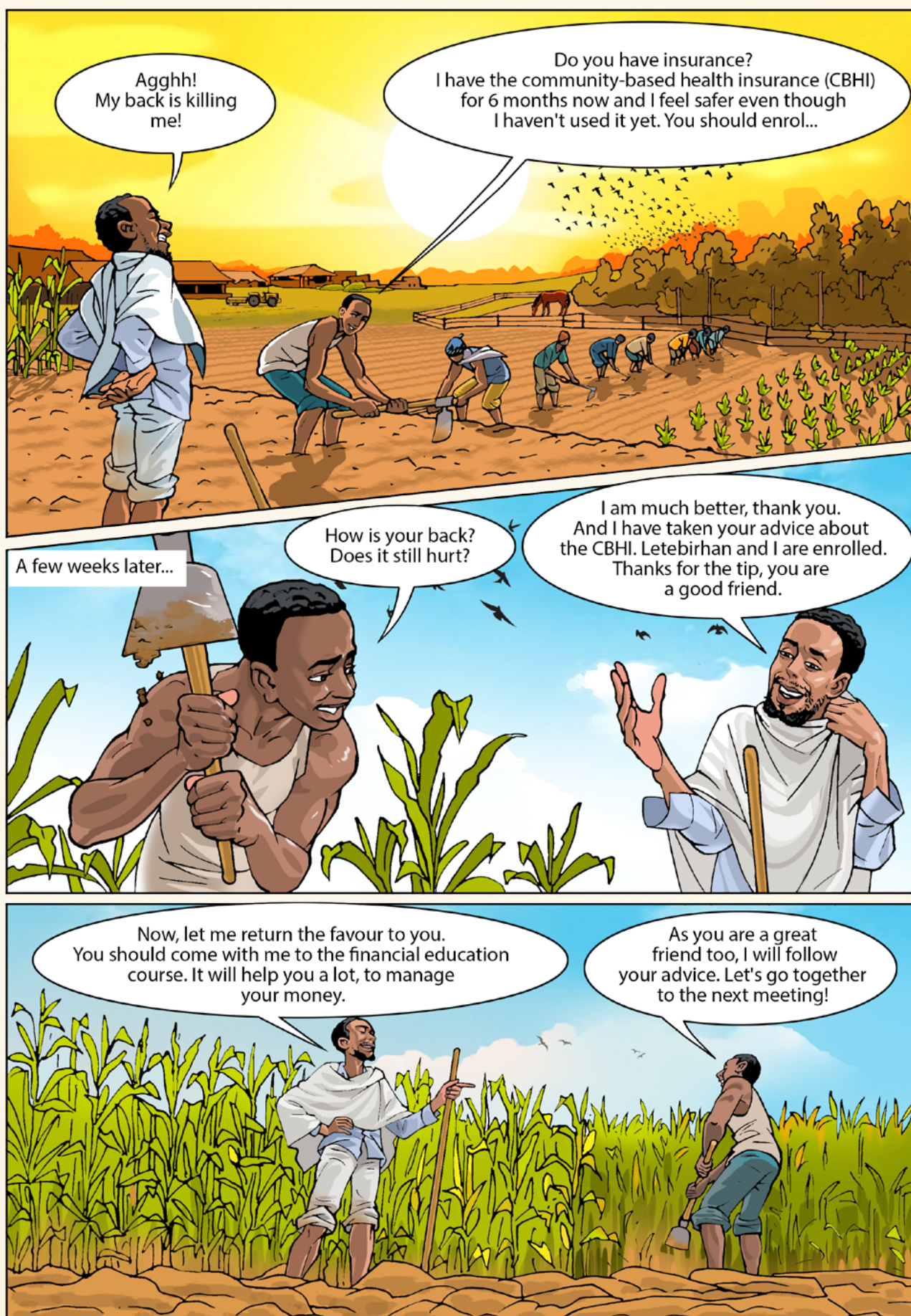












END

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.
- 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 in a financial institution allows the account holder to link his/her deposits with the achievement of specific goals. The account holder deposits a set amount on a regular basis for a specified period of time. After the maturity date the client can withdraw the entire amount plus interest (interest rate is set in advance). Early withdrawal is either prohibited or penalized.

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 than 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

Trainee's booklet for returnees and potential migrants in Ethiopia

This Trainee's booklet was developed in the framework of the ILO Better Regional Migration Management (BRMM) project. BRMM is funded by the UK Foreign Commonwealth and Development office.

This ILO Financial Education Trainee's booklet primarily targets returnees and potential migrants who wish to improve their personal money management. This booklet covers the following topics, including setting financial goals, communicating with confidence, understanding key financial products (savings, loans, payments, digital wallets, insurance), understanding and negotiating with financial institutions, transferring money and managing risks.

It provides all the information related to fictional characters throughout their financial management learning journey, through case studies, exercises and specific references to the target group. This booklet also includes key points on the ILO Financial Education training and the tools required to use and manage one's money wisely. It is written for the men and women participating to ILO Financial Education training courses. It should be used as an exercise book during the course and as a reference guide subsequently. It includes comic strips encompassing all the relevant topics based on the fictional characters' experience. This booklet includes many exercises and worksheets that training participants can fill in for themselves.

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