



International
Labour
Organization

**SAFETY
+ HEALTH
FOR ALL**



Financial Education

FOR MICRO, SMALL AND INFORMAL BUSINESSES IN THE PHILIPPINES



**MANAGE YOUR
MONEY SMARTLY!**



From
the People of Japan

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TABLE OF CONTENTS

Introduction	7
1. Background	7
2. Presentation of the trainee's booklet	8
3. Introduction of the characters	8
Jane's Identity Card	9
Carlo's Identity Card	10
Robert's Identity Card	11
Cely's Identity Card	12
A) Set goals and communicate within your family	13
1. Set your goals	14
2. Talk to your family about your goals	16
3. Assess the costs of your goals and your priorities	17
4. Make a savings plan to achieve your goals	18
B) Manage your money wisely	23
1. Be a smart spender	24
2. Create your budget	29
3. Keep track of and stay within your budget	41
4. Keep your financial records	49
Answers to exercises	50
C) Get to know savings methods and products	52
1. Choose a savings method	53
2. Select your savings products wisely	57
Annexes and key documents	64
Answers to exercises	65
D) Use credit products wisely	68
1. Choose a method to finance your projects	69
2. Select your credit wisely!	73
3. Calculate the cost of your credit	76
4. Watch out! Do not get over-indebted!	85
Annexes and key documents	89
Answers to exercises	90
E) Choose means of payments and money transfer products	94
1. Use means of payment with security	95
2. Get to know money transfer operators	100
3. How to send and receive money	107
Annexes and key documents	111
Answers to exercises	112

F)	Get to know financial institutions and use them with confidence	115
1.	Get to know financial institutions	116
2.	Use financial institutions with confidence!	122
	Answers to exercises	137
G)	Risk management and insurance	141
1.	Manage risks	142
2.	Tips to create your emergency fund	146
3.	Understand your insurance policy	147
4.	Use your insurance policy	151
5.	Choose the right insurance product	154
	Annexes and key documents	156
	Answers to exercises	157
	Comic strips	
	Jane's comic strip	158
	Carlo's comic strip	164
	Robert's comic strip	170
	Cely's comic strip	176
	Definitions	182

INTRODUCTION

1. BACKGROUND

The document you have in your hands is the Trainee's booklet on financial education. It targets primarily micro, small and informal business owners in Philippines 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 micro, small and informal business owners the fundamentals of personal and family finance. The materials cover the following topics: set financial goals, communicate with confidence, understand key financial products (savings, loans, payments, digital wallets, insurance), 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 Philippines.

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 the 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 Trainee's 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 training and as a reference guide subsequently.

This Trainee's booklet was developed in the framework of the "Bringing Back Jobs Safely under COVID-19 Crisis in the Philippines: Rebooting Small and Informal Businesses Safely and Digitally" project. This project is implemented by the International Labour Organization (ILO) and the Government of Japan in collaboration with the Department of Labor and Employment, Department of Trade and Industry, Department of Information and Communications Technology and the National Anti-Poverty Commission in the Philippines.

2. PRESENTATION OF THE TRAINEE'S BOOKLET

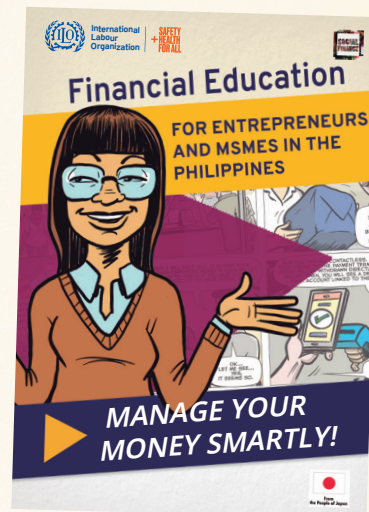
Financial education, what is it about?

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, people you work with and to sort out some challenges when they arrive.

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

The use, advantages and disadvantages of digital financial services will be explored in detail. 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

JANE

Target Group: *Local – Services sector*

Place of Residence: *Urban, Manila*

Gender: *Female*

Age: *45*

Marital Status: *Jane is married to Andres, and they have 2 daughters and 3 sons. They moved from a rural town to Manila many years ago.*

Economic Activity: *She has a restaurant in the outskirts of town. Jane is a great cook and uses her management experience to run the restaurant. She also earns money by providing catering services for parties and events on weekends. Her husband, Andres, works as a call center agent, he has rotating shifts but the salary is fair.*

Level of educational attainment: *University degree*

Attitude to money: *Very organized*

Financial Characteristics:

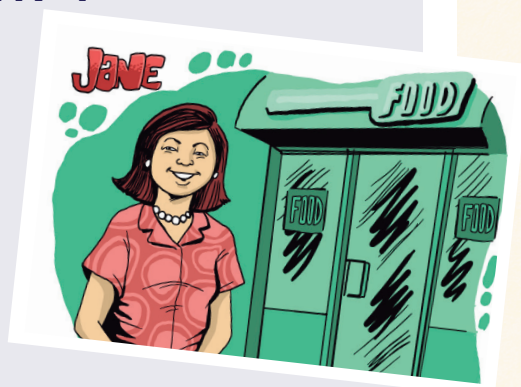
- *She uses formal financial institutions*
- *She always keeps her objectives in mind*
- *She is very organized and tries to save as much as possible*

Objectives:

- *To install exhaust fans at the restaurant to accommodate the COVID-19 risk*
- *To start to save for retirement*
- *To start selling her food through delivery apps*
- *To take an online training in social media marketing*

Secondary Characters:

- *Her husband, Andres*
- *Her 5 children (her 3 sons of 20, 13 and 8 years old, and her 2 daughters of 16 and 6 years old)*



CHARACTER 2

CARLO

Target Group: *Manufacturing sector*

Place of Residence: *Central Luzon*

Gender: *Male*

Age: *26*

Marital Status: *He is married to Elena.*

They have 2 children: Mark (5 years old) and Rose (3 years old).

Economic Activity: *Carlo owns a small tropical fibers and fabrics company. He runs the company with his wife, Elena. A few months ago, they obtained a fair-trade certification and were able to include the fair-trade label on some of their products. They have two employees.*

Family:

- *His wife Elena runs the company with him.*

Level of educational attainment: *University degree*

Attitude to money: *Successful. Organized.*

Financial Characteristics:

- *He uses formal financial institutions*
- *He is interested in digital means of payment*

Objectives:

- *To buy a laptop to take online training courses*
- *To start receiving digital payments at the shop*
- *To create a company website*
- *To build an extra room in his house*

Secondary Characters:

- *His wife, Elena*
- *His two kids, Mark and Rose*
- *His neighbours, Joy and Mario*
- *His friend, Michael*



CHARACTER 3

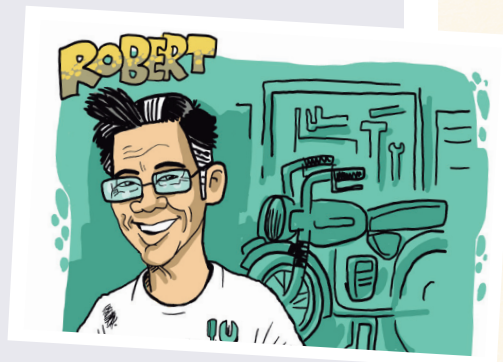
ROBERT

Target Group: *Informal Sector - Returning Overseas Filipino Worker*

Place of Residence: *Visayas*

Gender: *Male*

Age: *35*



Marital Status: *He is married to Maricel and they have 2 sons and a daughter: Daniel (15) and Elsa (15) the twins, and Noel (7).*

Economic Activity: *Robert was an Overseas Filipino Worker (OFW) for many years. He worked as a plant operator. A few years ago, Robert decided to open a small workshop to repair motorbikes in the Philippines. Now, he is able to spend more time with his family.*

Family:

- *His wife, Maricel, who works in a hotel*
- *His children attend school*

Level of educational attainment: *University degree*

Attitude to money: *Struggling. Thrifty.*

Financial Characteristics:

- *He tries to save as much as possible.*
- *He is organized with his money, but he cannot make ends meet.*
- *He is interested in new financial products.*

Objectives:

- *To buy a new mobile phone*
- *To start to offer his services online*
- *To save for his children's education*
- *Find out about insurance products*

Secondary Characters:

- *His wife, Maricel*
- *His children, Daniel, Elsa and Noel*
- *His friend, Jerry*
- *His brother, Edwin*

CHARACTER 4 CELY

Target Group: *Agri-business*

Place of Residence: *Rural, Northern Mindanao*

Gender: *Female*

Age: *20*

Marital Status: *She is married to Jose and she is 7 months pregnant. They have a son (2 years old) and a baby on the way. They live with Cely's family, including her parents, her two sisters and her brother and her brother's 3 children.*

Economic Activity: *Cely's family have run a pineapple farm for many years. Both Cely and Jose work there and get a share of the profits generated by the farm.*

Family:

- *The family has a pineapple farm and the whole family works there.*
- *Tess, the oldest sister, is over indebted.*

Level of educational attainment: *High School graduate*

Attitude to money: *Unorganized.*

Financial Characteristics:

- *She is interested in formal financial institutions.*

Objectives:

- *To take a financial education course*
- *To build an additional room in her parents' house*
- *To improve her financial management*

Secondary Characters:

- *Her husband Jose*
- *Her son Romeo and the baby, who will be named Norman*
- *Her parents Wilma and Pedro*
- *Her eldest sister Tess*





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?

- ☐ 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. A friend calls you to ask for money again for a ceremony

- ☐ a. I send her money right away as you always help friends.
- ☐ b. I disagree strongly and refuse to send any money.
- ☐ c. I discuss with her to better understand her 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.

Answers: A1:b; A2:a; A3:c; A4:b.

1. SET YOUR GOALS

DEFINITION

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

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

Case Study N°1



JANE'S STORY

Jane is 45 years old. She is married to Andres and they have 5 children, aged between 6 and 20. They moved to the city from a rural town many years ago. They rent a house in the outskirts of Manila.

Jane is a great cook. She was a restaurant manager back in her old town. When they moved to Manila she decided to open her own restaurant. She has 4 employees. She is very happy that most of her customers rate the restaurant with 5 stars and leave very good comments on social media. She also provides a food catering service for parties and events on weekends. Business is good at the moment. Andres works as a call center agent. He speaks very good English thanks to a language learning mobile application he has been using for quite some time.

When he is on an afternoon shift, Andres stops by at Jane's restaurant so they can walk home together after Jane closes the restaurant. During the walk and sometimes also when they get home, they talk about their plans for the future. Jane has many goals. She wants to install a mechanical ventilation system consisting of exhaust fans to prevent COVID transmission. Jane would also like to sell her food through delivery applications. She is convinced this will help her get more orders and new customers. As she is very tech-savvy, she also wants to take an online training in social media marketing. They also dream of buying a plot of land and building a house of their own.

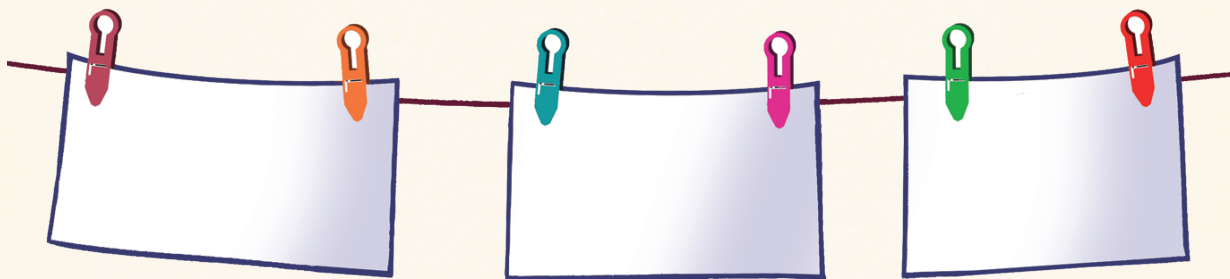
What are Jane's dreams? Write them here!



TRAINING AID A.1.1

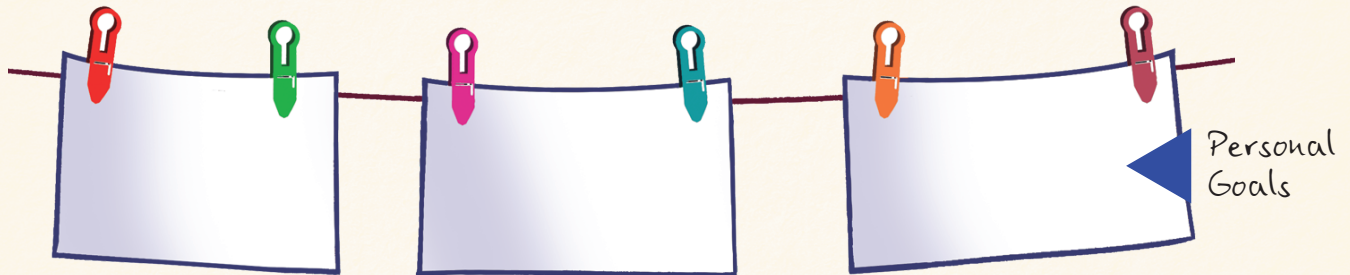
My goals

Have you ever thought about your goals?
If so, write or draw them here!



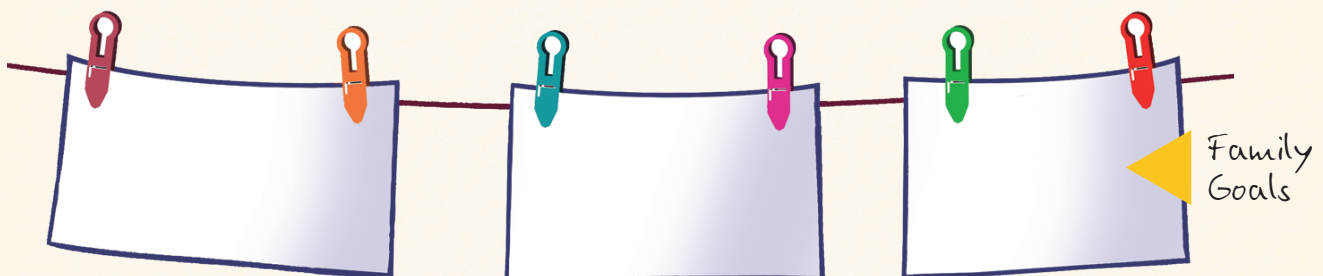
Short-term

Long-term



Short-term

Long-term



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

- 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

DON'T

- 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.).

You need to keep an eye constantly on the price of your goals. Remember to check for marketplaces on the internet. Sometimes you might even find very good second-hand goods.

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

CARLO'S SAVINGS PLAN

MAKE A SAVINGS PLAN
TO ACHIEVE YOUR GOALS

Carlo is 26 years old. He lives in Central Luzon with his wife, Elena, and their two kids Mark (5 years old) and Rose (3 years old).

Carlo and Elena run a small tropical fibers and fabrics company. Their company specializes in the use of natural fibers such as pineapple, banana, abaca and Philippine silk for textile and related products. A few months ago, they obtained the Fair Trade certification and were able to include the Fair Trade label on some of their products. They are very proud! They also have 2 employees helping them at the company.

Some evenings, returning home, Carlo and Elena speak about their future. They have many goals, but they both know that it is not easy to achieve them all. Elena wants to buy a laptop to take online training courses, but they could also use it to digitalize some processes at their shop. Elena knows that laptops are very expensive and has decided to postpone this objective for now. In addition, they would love to have a better company website, which would include an online shop. On top of that, Elena wants to fix up an extra room they have in their house for when Mark grows up. Currently Mark and Rose share a room, but when they grow up, Carlo and Elena would like each of their children to have their own space.

Additionally, Carlo wants to start to receive digital payments. He knows that this is necessary if he wants his business to grow. He also wants to purchase some shelves to organize better the fibers in the warehouse and add a fabric display furniture.

Carlo has assessed the costs associated to each project and has 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. He 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 Carlo'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 optional)	How much I need to save each month to achieve my goal
Short-term goals (less than 12 months)					
To purchase shelves and a display furniture	November this year	PHP 2,880	6 months		PHP 480
Medium-term goals (1 to 3 years):					
To create a company website	September next year	PHP 12,240	12 months	He will receive a 20% discount if he recommends a friend and his friend also wants to buy a web design package.	PHP 850
Long-term goals (more than 3 years):					
To buy the materials needed to fix up the extra room in the house	January in 3 years' time	PHP 60,000	36 months		PHP 1,666
Total amount I need to save every month to achieve all my goals (sum of the amounts in the right-hand column):					PHP 2,996

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

TRAINING AID A.1.2

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.

MY SAVINGS PLAN					
My goals	Date by when I want to achieve my goals	Cost of achieving my goals	Number of months left to achieve my goals	Other sources of funding (if 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

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.



Making your savings plan digitally, for example by using a spreadsheet, could be a very good idea to keep it at hand and adjust it when your situation changes.

TIPS



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.

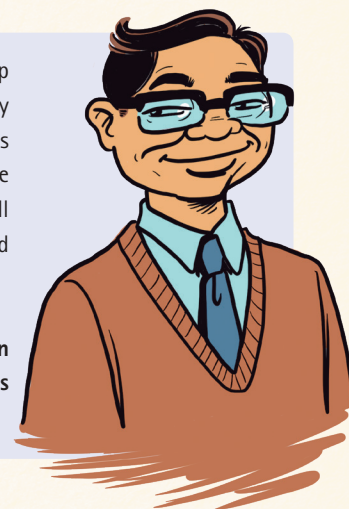
TRAINING AID A.2.1

Role-play on: conflict and negotiation

CONFLICT 1

A dear friend of Jane is about to open her own clothing shop at the SM City Manila. It is a big step in her journey as an entrepreneur, so Jane and her friends are organizing a surprise for her. They want to have dinner at the famous Cosmic Poblacion Restaurant to celebrate. They know this particular restaurant might be a bit expensive for them, but they think they should go for it. Jane likes the idea, but she believes the restaurant is too expensive for her. She is afraid her friends will think that she is greedy, especially because work at the restaurant is going very well. 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 2

Carlo and Elena want to participate in a fair-trade event next month. They think it will be a great occasion to meet industry partners and learn about recent market trends and opportunities. Carlo would like to buy new clothes for himself and Elena to attend the event. On her side, Elena thinks that the clothes they have are good enough and that they don't need to spend that much money on this additional expense. What should they 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

Some time ago, Robert's brother, Edwin, got a job close to his house. Since then, Edwin has been going to Robert's house every day for lunch, sometimes also with a colleague from work. Robert likes to meet his brother but sometimes he doesn't have enough money to cover one or two extra plates of food on the table. Robert does not know how to explain this to his brother. 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

Cely has been saving money for Norman's arrival. They already have everything ready for his birth, but she would like to buy him some newborn toys she saw on the internet. Her mother Wilma tells her that there is no need to spend money on that, that Norman will have Romeo's toys. Besides, it is important to keep her savings for an emergency. Cely wants to provide the best to her baby. 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.



Case Study N°3

JANE'S PROBLEMS

shifts. When he works night shifts, all the family is affected as he cannot look after children while Jane is at the restaurant.

He is trying to save a bit more for the future in case his manager doesn't understand, and he has to stop working at the call center. It was difficult to talk to Jane about this situation, as they really need the money, but she understood and supported him.

Andres' colleague tells him that he decided that he would not discuss his problems with his wife. He is taking double shifts because he needs to pay off some debts 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, but he does not want to share his problem with his wife.



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. Make sure to check different marketplaces and providers on the Internet.
- 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).
- Having a digital savings plan in a spreadsheet could be a great idea to be able to adjust it easily.
- Keeping your goals in mind is a sure way to achieve success.
- Making a savings plan helps you to achieve them more easily



B

▶ **MANAGE YOUR MONEY WISELY**



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

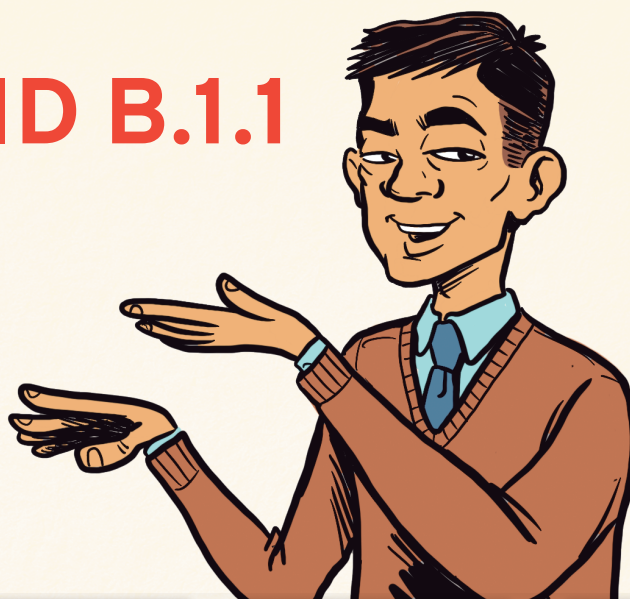
Saving means not spending all your money and setting aside a part for a specific goal in the future. It means setting aside small or large sums of money, regularly or from time to time.

EXERCISE

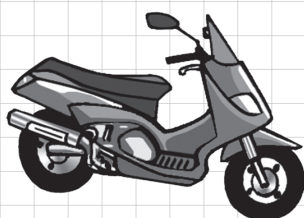
According to your own situation, choose between necessary expenses (we call them needs) and optional expenses (we call them wants)! Circle the images that correspond to needs for you to distinguish them from the wants.

TRAINING AID B.1.1

Wants and needs
picture cards



Lottery ticket



Motorbike

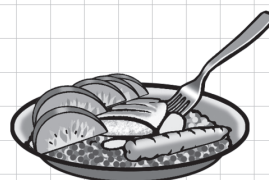
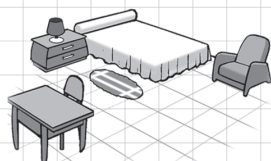


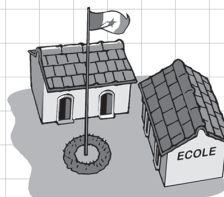
Plate of food



Cash withdrawal



Accommodation



School



Smartphone



Water



Sim card



Healthcare



Electricity



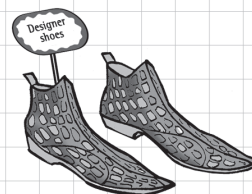
Soda can



Cinema ticket



Ice cream



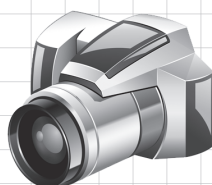
Expensive shoes



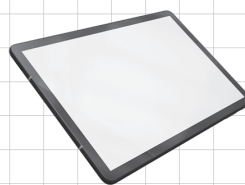
Cigarettes



Flat screen TV



Camera



Tablet



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

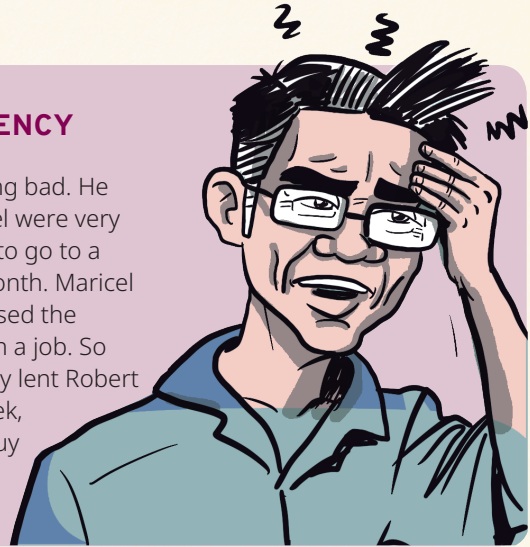
IMPORTANT: You might spend to make yourself feel better. Some people describe this as feeling like a temporary high. But it will only do so for a short period of time. Be careful! If your budget is tight take a moment to distinguish always between needs and wants. Otherwise not having enough money later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

ROBERT'S FAMILY FACES AN EMERGENCY

Last week, Daniel, the oldest of Robert's children, started feeling bad. He could not breathe well and had some fever. Robert and Maricel were very worried and needed to buy medicines urgently. They decided to go to a pharmacy nearby to get them quickly. It was the end of the month. Maricel would receive her salary only the following week and Robert used the money he had left to buy some spare parts he needed to finish a job. So Robert needed to borrow money from Jerry, his old friend. Jerry lent Robert some money and he agreed to pay him back the following week, when Maricel receives her salary. Robert used the money to buy the medicines from the pharmacy. Daniel recovered quickly after taking the medicines.



Case Study N°2

JOY, CARLO'S FRIEND, HAS A PROBLEM

Carlo and Elena have a very close relationship with their neighbours, Joy and Mario. Joy runs a small hair salon in a street close to their house. Joy's salon has been quite successful lately. She has learned to be more 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, Mario, for him to deposit the money in a bank account. One day, she returns home, thinking of asking Mario 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 shop, he said that it was not possible to use the money for the hair salon now. Joy is angry and goes straight to the bank 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 amount remaining in the account. She is very unhappy.



TIPS TO SAVE

- *Set aside a bit of money every day or every week.*
- *Do not buy a new item if yours still works or if it can be repaired.*
- *Buy less presents for your family. Talk to them first and agree with them on your support.*
- *If possible, spend less on cultural or social ceremonies.*
- *Keep less cash in your wallet – you can start exploring other means of payment such as digital wallets and bank cards.*
- *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**

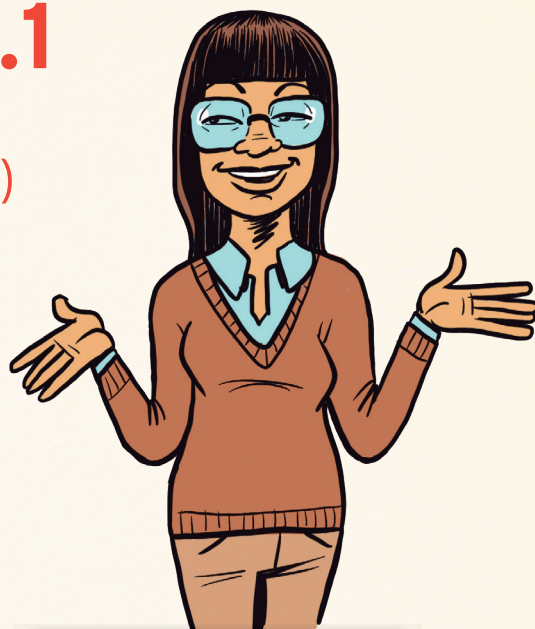
- You need to be able to distinguish between essential and optional spending.
- Saving for an emergency: saving is essential, an absolute need.
- “Manage well what has been earned by others”.
- Saving means giving up an immediate want to invest and achieve a goal in the future.
- Saving makes for security.

NOTES

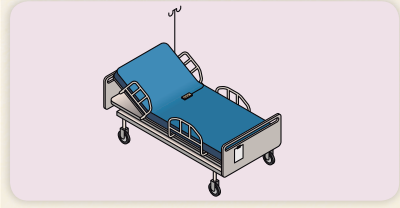
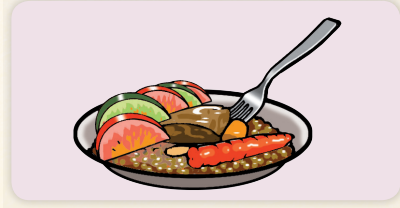
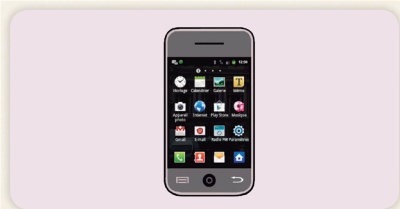
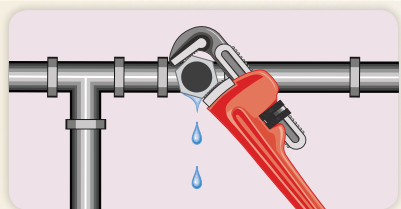
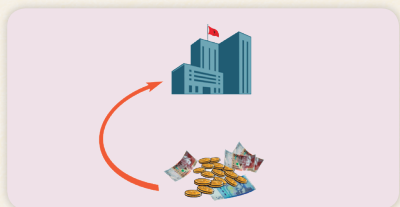
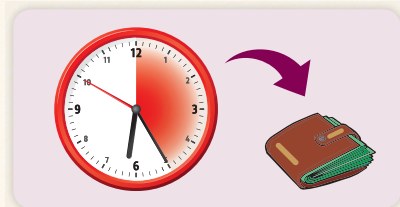
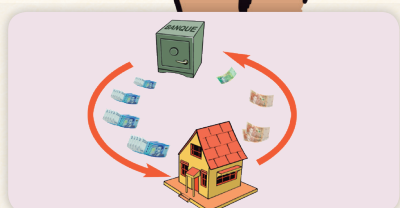
2. CREATE YOUR BUDGET!

TRAINING AID B.2.1

Images for budgeting
(for groups with poor literacy skills)



MANAGE YOUR MONEY WISELY



Let's get to know a bit more about Jane and how she creates her different budgets.

Case
Study N°3

JANE'S BUSINESS BUDGET

Yesterday was the last day of the month, and Jane stayed a while longer in the restaurant to review her business budget. Jane has a subscription for an online platform where she registers all the income and expenses of the restaurant.

First, she reviews the income. As every week she reviews the restaurant's income, all she has to do now is to add it all up. As a result, the sales from the restaurant amounted to PHP 180,000 and the income she got from catering services summed up to PHP 48,000. She expects next month to be the same as there are no festivities or holidays.

Once she has reviewed her income for the following month, she checks her past month expenses and begins to plan for next month. First, she will pay PHP 17,500 for the rent and another PHP 5,800 for the electricity bill and other services. For salaries, she estimates PHP 93,000, including her own wage; for taxes PHP 3,750 and for cleaning products PHP 2,200. She expects the same amount of money being spent on suppliers as last month, which is PHP 72,000. On top of that, in response to COVID-19, she wants to start using QR menus. The design of a digital menu and the generation of the QR code will cost about PHP 1,800.





TRAINING AID B.2.2

Character's Business Empty Budget

JANE'S BUSINESS BUDGET

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

EXPENSES	
Essential expenses (needs)	
Sub-Total (needs)	
Optional expenses (wants)	
Sub-total (wants))	
TOTAL EXPENSES	
INCOME-EXPENSES	

TRAINING AID B.2.3

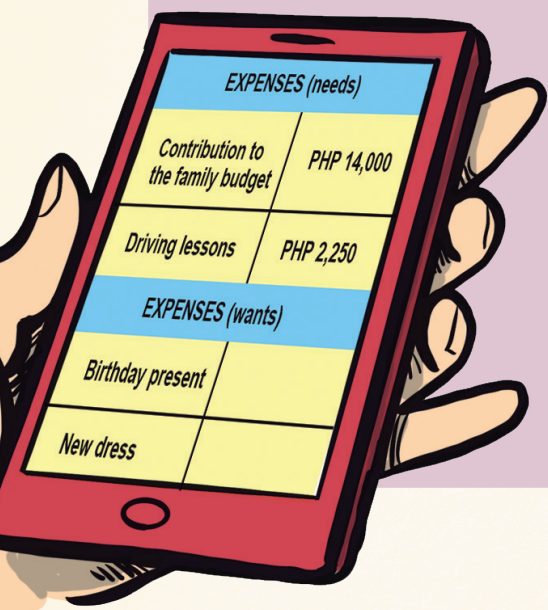
Character's Business Budget

JANE'S BUSINESS BUDGET

SOURCE OF INCOME	Amount
Fixed Income	
Sub-total fixed income	
Variable income	
Income from food sales at the restaurant	PHP 180,000
Income from catering service	PHP 48,000
Sub-total variable income	
TOTAL INCOME	PHP 228,000

EXPENSES	
Essential expenses (needs)	
Restaurant rent	PHP 17,500
Electricity and other services	PHP 5,800
Salaries / wages	PHP 93,000
Taxes	PHP 3,750
Suppliers	PHP 72,000
Cleaning materials	PHP 2,200
Sub-Total (needs)	PHP 193,250
Optional expenses (wants)	
Design of a digital menu and QR code	PHP 1,800
Sub-total (wants)	PHP 1,800
TOTAL EXPENSES	PHP 195,050
INCOME-EXPENSES (NET BUSINESS INCOME)	PHP 32,950

Case Study N°4



JANE'S PERSONAL BUDGET

After doing the business budget, Jane does her personal budget. She uses the same mobile application where she records her expenses and income.

First, she enters her fixed income PHP 23,000 from the salary she gets from the restaurant. Although she is the owner, she works there all day and believes it is appropriate to have a salary for her work.

Now, for the expenses, like the last months, Jane decided to contribute a fixed amount of PHP 14,000 for family expenses. She is also determined to get her driver's license this year, so she is taking driving lessons. For this, she has to pay PHP 2,250. She also has a friend's birthday this weekend and she wants to buy a new dress for this. The birthday present will cost PHP 160 and she will spend PHP 570 on the new dress.



TRAINING AID B.2.4

Character's Personal Empty Budget

JANE'S PERSONAL BUDGET

SOURCE OF INCOME	Amount
Fixed Income	
Salary from the restaurant	
Sub-total fixed income	
Variable income	
Sub-total variable income	
TOTAL INCOME	

EXPENSES	
Essential expenses (needs)	
Contribution to the family budget	
Driving lessons	
Sub-Total (needs)	
Optional expenses (wants)	
Birthday present	
New dress	
Sub-total (wants))	
TOTAL EXPENSES	

INCOME-EXPENSES	
------------------------	--





TRAINING AID

B.2.5

Character's Personal Budget

JANE'S PERSONAL BUDGET

SOURCE OF INCOME	Amount
Fixed Income	
Salary from the restaurant	PHP 23,000
Sub-total fixed income	PHP 23,000
Variable income	
Sub-total variable income	
TOTAL INCOME	PHP 23,000

EXPENSES	
Essential expenses (needs)	
Contribution to the family budget	PHP 14,000
Driving lessons	PHP 2,250
Sub-Total (needs)	PHP 16,250
Optional expenses (wants)	
Birthday present	PHP 160
New dress	PHP 570
Sub-total (wants))	PHP 730
TOTAL EXPENSES	PHP 16,980
INCOME-EXPENSES	PHP 6,020

TRAINING AID B.2.6

Character's Family's Empty Budget



JANE'S FAMILY EMPTY BUDGET

SOURCE OF INCOME	Amount
Fixed Income	
Jane's income contribution to her family	
Andres's income contribution to his family	
Sub-total fixed income	
Variable income	
Sale of an old flat screen TV	
Sub-total variable income	
TOTAL INCOME	

EXPENSES	
Essential expenses (needs)	
Rent	
Electricity and water	
Food	
Transport	
Health care services	
Mobile phone cards and internet	
Sub-Total (needs)	
Optional expenses (wants)	
Liza's tablet	
Sub-total (wants)	
TOTAL EXPENSES	
INCOME-EXPENSES	

Case Study N°5

JANE'S FAMILY BUDGET - PART 1

On the last Sunday of the month, after doing her business and personal budget, Jane always prepares her special recipe for buko pie. The children love it! While the children enjoy dessert, Jane and Andres get prepared to make their family budget.

First, they have a look at their income. Like the last months, Jane decided to contribute a fixed amount of PHP 14,000 for family expenses. Andres also decided to contribute a fixed amount of PHP 16,500 to the family budget. They also sold their old flat screen TV, through a new online shop specialized in buying and selling used equipment, at PHP 4,530.



Case Study N°6

JANE'S FAMILY BUDGET - PART 2

Once they have reviewed their income for the following month, they start to plan how they will spend the money. First, they will pay for their rent, which is PHP 11,500. Then, for water and electricity they reckon they will spend PHP 3,600. For food, they estimate PHP 6,400, for transport PHP 900 and for health care services PHP 1500. The charge of their internet and pre-paid cellphones for the whole family comes to around PHP 2,600. Jane also wants to buy a tablet for her daughter Liza, who wants to study the basics of programming. The tablet will cost PHP 5,600.

BUSINESS BUDGET	
SOURCE OF INCOME	AMOUNT
Fixed Income	
Sub-total fixed income	
Variable Income	
Income from food sales at the restaurant	PHP 180,000
Income from catering service	PHP 80,000
Sub-total variable income	PHP 220,000
TOTAL INCOME	PHP 220,000
EXPENSES	
Essential expenses (needs)	PHP 12,000
Restaurant rent	PHP 5,000
Electricity and other services	PHP 5,000
Salaries / wages	PHP 5,000
Taxes	PHP 2,000
Supplies	PHP 10,000
Cleaning materials	PHP 1,000
Sub-Total (needs)	PHP 30,000
Optional expenses (wants)	
Design of a digital menu and QR code	PHP 5,600
Sub-total (wants)	PHP 5,600
Total Expenses	PHP 35,600



TRAINING AID

B.2.7

Character's family Budget

JANE'S FAMILY BUDGET

SOURCE OF INCOME	Amount
Fixed Income	
Jane's income contribution to her family	PHP 14,000
Andres's income contribution to his family	PHP 16,500
Sub-total fixed income	PHP 30,500
Variable income	
Sale of an old flat screen TV	PHP 4,530
Sub-total variable income	PHP 4,530
TOTAL INCOME	PHP 35,030

EXPENSES	
Essential expenses (needs)	
Rent	PHP 11,500
Electricity and water	PHP 3,600
Food	PHP 6,400
Transport	PHP 900
Health care services	PHP 1,500
Mobile phone cards and internet	PHP 2,600
Sub-Total (needs)	PHP 26,500
Optional expenses (wants)	
Liza's tablet	PHP 5,600
Sub-total (wants)	PHP 5,600
TOTAL EXPENSES	PHP 32,100

INCOME-EXPENSES	PHP 2,930
------------------------	------------------

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 Jane 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.2.8

My Family Budget

MY FAMILY BUDGET

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

EXPENSES	
Essential expenses (needs)	
Sub-Total (needs)	
Optional expenses (wants)	
Sub-total (wants)	
TOTAL EXPENSES	
INCOME-EXPENSES	



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.
- Remember you can easily create a digital budget using a spreadsheet. There are also many apps to help you building a budget. It is a great way to compare what you planned with what actually happened.



3. KEEP TRACK OF AND STAY WITHIN YOUR BUDGET

JANE'S BUDGET MANAGEMENT

Last month, Jane and Andres made many plans for the future and agreed they needed to save as much as possible avoiding unnecessary expenditure. Yesterday, her eldest son Alex, lost his smartphone. On top of using the phone for communicating with his family and friends, he sometimes uses the smartphone for school online classes. Jane hesitated: Alex's phone was less than a year old and this month she wanted to buy a tablet for Liza. However, it is important for her to be in contact with Alex, so she decides to buy him a new phone. Now, while talking with Andres, they realize that they will not be able to have a balanced budget with this extra expense. They spoke and decided to postpone the purchase of the tablet but also to try to save as much as possible in expenses related to food and transport.



Case
Study N°8

CARLO'S BUDGET MANAGEMENT

Last month, Carlo realized that his numbers were very tight, and that he should always keep an eye on his expenditures. Yesterday, his neighbour, Mario, asked to borrow

some money because he had to pay for his electricity bill but had no money. Carlo hesitated: he remembered that he had no spare money in his budget and that all his savings were needed to achieve his objectives. While thinking about this, he remembered that his neighbour Mario had helped him and his family so many times before, especially when he was getting started with the shop, so he decided to lend him the money. Later that week, Mark got sick and needed expensive medicines. Carlo did not have enough money to buy the medicines and Mario did not yet have the money to pay him back. Carlo had to borrow money from an informal lender.

QUESTIONS

There are many ways to make sure you stay within your budget. You can use a spreadsheet, like Jane, or an app, like a lot of people are starting to use! There are many applications that can help you to keep track of your money. Take some time to explore them.

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.

There are many apps that can help you staying within your budget.
Check them out!

TIPS



Income tracking sheet

Name: _____

Month: _____

Year: _____

TOTAL INCOME

TRAINING AID B.3.2

Expense tracking sheet

EXPENSE TRACKING SHEET

Name:

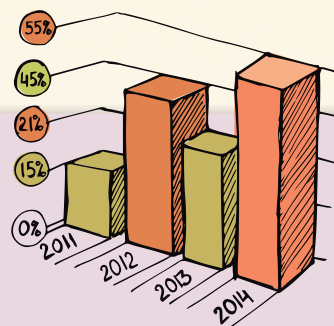
Month:

Year:

[illegible]

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.
- Remember to check apps available for keeping track of your budget.



TRAINING AID B.3.3

Transaction Cards Jane's business

JANE'S BUSINESS

On February 1st she pays
PHP 17,500 for rent.

JANE'S BUSINESS

On February 2nd she has to pay the
salaries, so she spends PHP 93,000.

JANE'S BUSINESS

On February 4th, she pays
PHP 5,800 for the restaurant's
utility bills.

JANE'S BUSINESS

On February 6th She pays
PHP 3,750 for taxes.

JANE'S BUSINESS

On February 7th Jane receives her
weekly income from food and
beverage sales at the restaurant for
PHP 30,000 in cash.

JANE'S BUSINESS

On February 8th Jane checks her
bank statement and has received
PHP 18,000 from digital payments.

**JANE'S
BUSINESS**

On February 10th she spends
PHP 32,000 to pay her food
supplier.

**JANE'S
BUSINESS**

On February 12th she spends
PHP 24,500 to pay her beverage
supplier.

**JANE'S
BUSINESS**

On February 13th Jane purchases
cleaning and kitchen materials. It
cost **PHP 2,200**.

**JANE'S
BUSINESS**

On February 14th Jane receives the
weekly income from food and
beverage sales at the restaurant for
23,500 in cash.

**JANE'S
BUSINESS**

On February 15th Jane checks her
bank statement and has received
PHP 18,800 from digital payments.

**JANE'S
BUSINESS**

On February 15th she spends
PHP 5,500 on hiring for a week
informally a replacement for an
employee who caught COVID-19.

**JANE'S
BUSINESS**

On February 18th Jane charges
PHP 48,000 for a catering event.

**JANE'S
BUSINESS**

On February 21st Jane receives the
weekly income from food and
beverage sales at the restaurant for
PHP 56,400 in cash.

**JANE'S
BUSINESS**

On February 22nd Jane checks her
bank statement and has received
12,300 from digital payments.

**JANE'S
BUSINESS**

On February 28th Jane has weekly
income from food and beverage
sales at the restaurant for
PHP 18,400 in cash.

**JANE'S
BUSINESS**

On February 29th Jane checks her
bank statement and has **PHP 2,600**
from digital payments.

**JANE'S
BUSINESS**

On February 29th she spends
PHP 14,000 to pay her food
supplier.

TRAINING AID B.3.4

Transaction Cards Jane's family

JANE'S FAMILY On February 1st Jane contributes PHP 14,000 to her family budget.	JANE'S FAMILY On February 1st they pay for electricity and water for PHP 3,600.
JANE'S FAMILY On February 2nd Andres contributes PHP 16,500 to his family budget.	JANE'S FAMILY On February 4th, they sell an old flat screen TV and receive PHP 4,530.
JANE'S FAMILY On February 10th they pay PHP 11,500 for rent.	JANE'S FAMILY On February 12th They spend HP 6,400 for food.
JANE'S FAMILY On February 18th they put apart PHP 900 for transport.	JANE'S FAMILY On February 23th she spends PHP 2,600 for internet and phone's cards.
JANE'S FAMILY On February 27th Jane spends PHP 530 for medicines for Liza who is sick.	JANE'S FAMILY On February 28th Jane pays PHP 1,500 for health care services.

Now it is your turn.

You can use TRAINING AID B.3.1 INCOME TRACKING SHEET and TRAINING AID B.3.2 EXPENSE TRACKING SHEET to track your own income and expenses, both for your business and family budgets.

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.

FAMILY BUDGET		AMOUNT
SOURCE OF INCOME		
FIXED INCOME		
JANE'S INCOME CONTRIBUTION TO HER FAMILY		PHP 14,000
ANDRE'S INCOME CONTRIBUTION TO HIS FAMILY		PHP 16,000
SUBTOTAL FIXED INCOME		PHP 30,000
VARIABLE INCOME		
SALE OF AN OLD FLAT SCREEN TV		PHP 1,000
SUBTOTAL VARIABLE INCOME		PHP 1,000
TOTAL INCOME		PHP 31,000
EXPENSES		
ESSENTIAL EXPENSES (NEEDS)		
RENT		PHP 10,000
ELECTRICITY AND WATER		PHP 2,000
FOOD		PHP 3,000
TRANSPORT		PHP 1,000
HEALTH CARE SERVICES		PHP 1,000
MOBILE PHONE CARDS AND INTERNET		PHP 1,000
SUBTOTAL (NEEDS)		PHP 18,000
OPTIONAL EXPENSES (WANTS)		
LIZA'S TABLET		PHP 5,000
SUBTOTAL (WANTS)		PHP 5,000

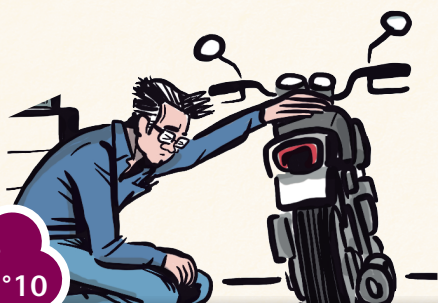
4. KEEP YOUR FINANCIAL RECORDS



Case Study N°9

CELY THROWS SOME RECEIPTS

Cely 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. Cely does not see the point of keeping her receipts. 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 claims the outstanding balance to pay was PHP 2,300. That was PHP 300 more than what Cely thought she had to pay. She tells the shopkeeper that she is sure there is a mistake. He claims that he does not think there is one, as this amount is reflected in his bookkeeping, but if she wants to, they can also add up the receipts he has given her as proof. When Cely tells him that she never keeps these receipts, the shopkeeper tells her that she needs to pay for the total amount. Cely is upset about not keeping these documents.



Case Study N°10

ROBERT KEEPS HIS FINANCIAL DOCUMENTS

Every time a client drops off a motorbike for repair, Robert asks for some money in advance and gives them a written receipt. He uses this money to buy the spare parts he needs to repair the motorbikes. When clients pick up the motorbike, they pay for the remaining amount.

Today, one client came to pick up his motorbike. He was very happy with Robert's work. The motorbike was as good as new! When the client pays Robert for the outstanding balance for the work, he gives him less money than

agreed, arguing that the rest was already paid in the advance payment. Robert is sure that it is a mistake. As the initial payment was done through a digital wallet, based on the client's preference, Robert checks the latest movements in his digital account. There, he finds that he was right, and that the client should pay for the exact amount that Robert was asking for. The client apologizes and pays Robert for the agreed amount. Robert is very happy to have been paid through the digital wallet, because he can access the payment records on his account in a very fast and reliable way.

Moving from cash to digital payments can help you a lot in terms of having financial records every time you spend money.

TIPS



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.

ANSWERS TO EXERCISES

Answers to: TRAINING AID B.3.3 transaction cards character's business

JANE'S BUSINESS - INCOME

Name: Jane's business

Month: February

Year: 2022

DATE	DESCRIPTION OF SOURCE OF INCOME	AMOUNT OF INCOME
7.2.22	Weekly income from food and beverage sales at the restaurant	PHP 30,000
8.2.22	Income from digital payments	
14.2.22	Weekly income from food and beverage sales at the restaurant	PHP 18,000
15.2.22	Income from digital payments	PHP 23,500
18.2.22	Income from a catering event	PHP 18,800
21.2.22	Weekly income from food and beverage sales at the restaurant	PHP 48,000
22.2.22	Income from digital payments	PHP 56,400
28.2.22	Weekly income from food and beverage sales at the restaurant	PHP 12,300
29.2.22	Income from digital payments	PHP 18,400
		PHP 2,600
TOTAL INCOME		PHP 228,000

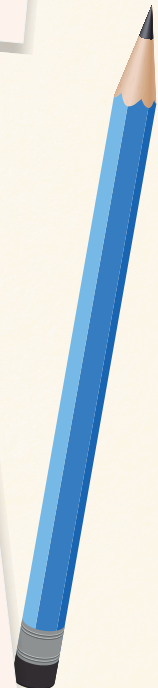
JANE'S BUSINESS - EXPENSES

Name: Jane's business

Month: February

Year: 2022

DATE	DESCRIPTION OF EXPENSE ITEM	AMOUNT SPENT	PLANNED OR UNPLANNED	
			YES	NO
1.2.22	Restaurant rent	PHP 17,500	☒	☐
2.2.22	Salaries	PHP 93,000	☒	☐
4.2.22	Utilities' bills	PHP 5,800	☒	☐
6.2.22	Taxes	PHP 3,750	☒	☐
10.2.22	Food supplier	PHP 32,000	☒	☐
12.2.22	Beverage supplier	PHP 24,500	☒	☐
13.2.22	Cleaning and kitchen materials	PHP 2,200	☒	☐
15.2.22	Hire a replacement	PHP 5,500	☐	☒
29.2.22	Food supplier	PHP 14,000	☒	☐
TOTAL EXPENSES		PHP 198,250		
TOTAL INCOME		PHP 228,000		
SAVINGS (= INCOME - EXPENSES)		PHP 29,750		



Answers to: TRAINING AID B.3.4 Transaction cards character's family

JANE'S FAMILY - INCOME

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

DATE	DESCRIPTION OF SOURCE OF INCOME	AMOUNT OF INCOME
1.2.22	Jane's contribution to family budget	PHP 14,000
2.2.22	Andres' contribution to family budget	PHP 16,500
4.2.22	Income from selling an old flat TV	PHP 4,530
TOTAL INCOME		PHP 35,030

JANE'S FAMILY - EXPENSES

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

DATE	DESCRIPTION OF EXPENSE ITEM	AMOUNT SPENT	PLANNED OR UNPLANNED	
			YES	NO
10.2.22	Rent	PHP 11,500	☒	☐
12.2.22	Food	PHP 6,400	☒	☐
18.2.22	Transport	PHP 900	☒	☐
23.2.22	Internet and phone's cards	PHP 2,600	☒	☐
27.2.22	Medicines	PHP 530	☐	☒
28.2.22	Health care services	PHP 1,500	☒	☐
1.2.22	Electricity and water	PHP 3,600	☒	☐
TOTAL EXPENSES		PHP 27,030		
TOTAL INCOME		PHP 35,030		
SAVINGS (= INCOME - EXPENSES)		PHP 8,000		

C



GET TO KNOW SAVINGS METHODS AND PRODUCTS

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

- ☐ a. I keep my money 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 accumulated some savings. You would like to use them to set up your own business in a few years. What savings account is the most appropriate for you?

- ☐ a. A regular savings account.
- ☐ b. A business 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

1**Jane.**

Whenever she has a good month at the restaurant, Jane saves most of it in her bank account, but she also saves some in kind. She buys restaurant supplies in bulk to get better prices.

2

**Carlo.**

Carlo is a client of a bank, and he saves in an online savings account.

3

**Robert.**

Robert still charges most of his clients in cash. He keeps money in a tin can but makes sure to hide it so not even his family can get access to his money.



Cely.

Cely is member of a Microfinance NGO and she saves there.

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.

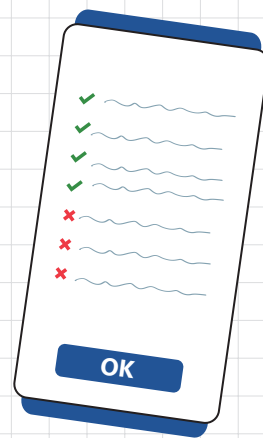
Investing in cryptocurrency has become a widespread investment decision by a lot of people. Even if the investment is regulated and done through formal institutions, it is very important you understand the high risks involved in this investment vehicle. This webpage from the Central Bank of Philippines offers a quick description and FAQ regarding virtual currencies.

TIPS



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.
- Consider that there are many financial services providers offering digital solutions that can make the opening of savings account much easier than before.

2. SELECT YOUR SAVINGS PRODUCTS WISELY

A savings product is for example, a regular savings account that generates 1% interest or a time (fixed) deposit account for five years. There are many different financial services providers with several savings products that you can choose from.

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
- Online access
- Purpose and goals of your savings strategy

Here are three popular savings products offered by financial institutions:

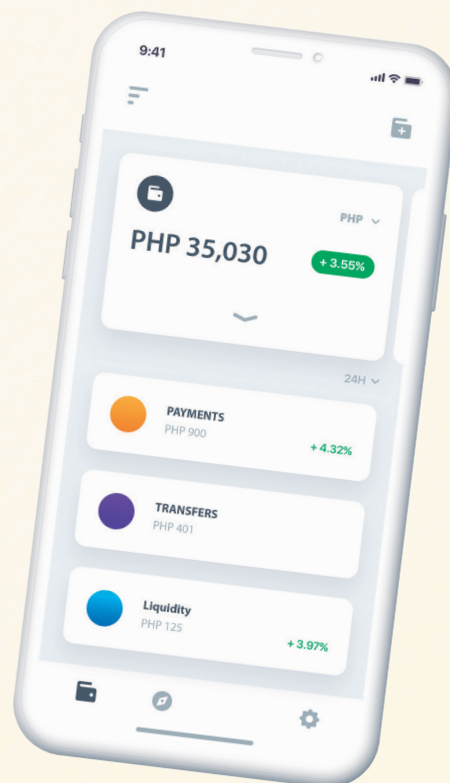
The regular savings account is adapted for when you want to make deposits or access your money any time. It is the most common savings account.

The business account is similar to a regular savings account but might include special features focused on your business operations. It can include facilities for transferring funds, pay bills, depositing checks, getting paid with digital means of payment and other special features for your business operations.

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 or the possibility to do online transactions).

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

Brochure for a Regular Savings Account

REGULAR SAVINGS ACCOUNT

ACCESS YOUR MONEY ANY TIME

An easy, simple and convenient way of keeping and withdrawing your money at any time when you need it. This is the first ever bank account that you can open and maintain straight from our APP.



OPEN AN ACCOUNT ONLINE

Our savings account in partnership with ABC Bank offers a lot of flexibility in managing your money. It has zero fees, offers high interest rates and very easy account management.

You can use our APP to use all the features of your savings account. Press on SAVE MONEY button to view your account balance, transaction history and move money between your e-wallet and your account.

What your savings grow with our high yearly base interest rate of 2% p.a.

Zero deposit needed: opening an account can't be easier: no initial deposit required.



ELEGIBILITY

Our savings account in partnership with ABC Bank offers a lot of - Individual ages 18 and above with valid ID

Applicants must be users of our e-wallet. (If you are not user of our e-wallet, make sure to download our app and register in 2 minutes).



FEATURES

-You can deposit money any time, the amount of times you want. You can do it through your digital wallet, through our agent's network and through the branches and ATMs of ABCD Bank.

-You can withdraw your money any time and without prior notice through our agents network and ABCD branches/ATMs

-Zero fees in all your operations

-Free of charge for opening and closing your account

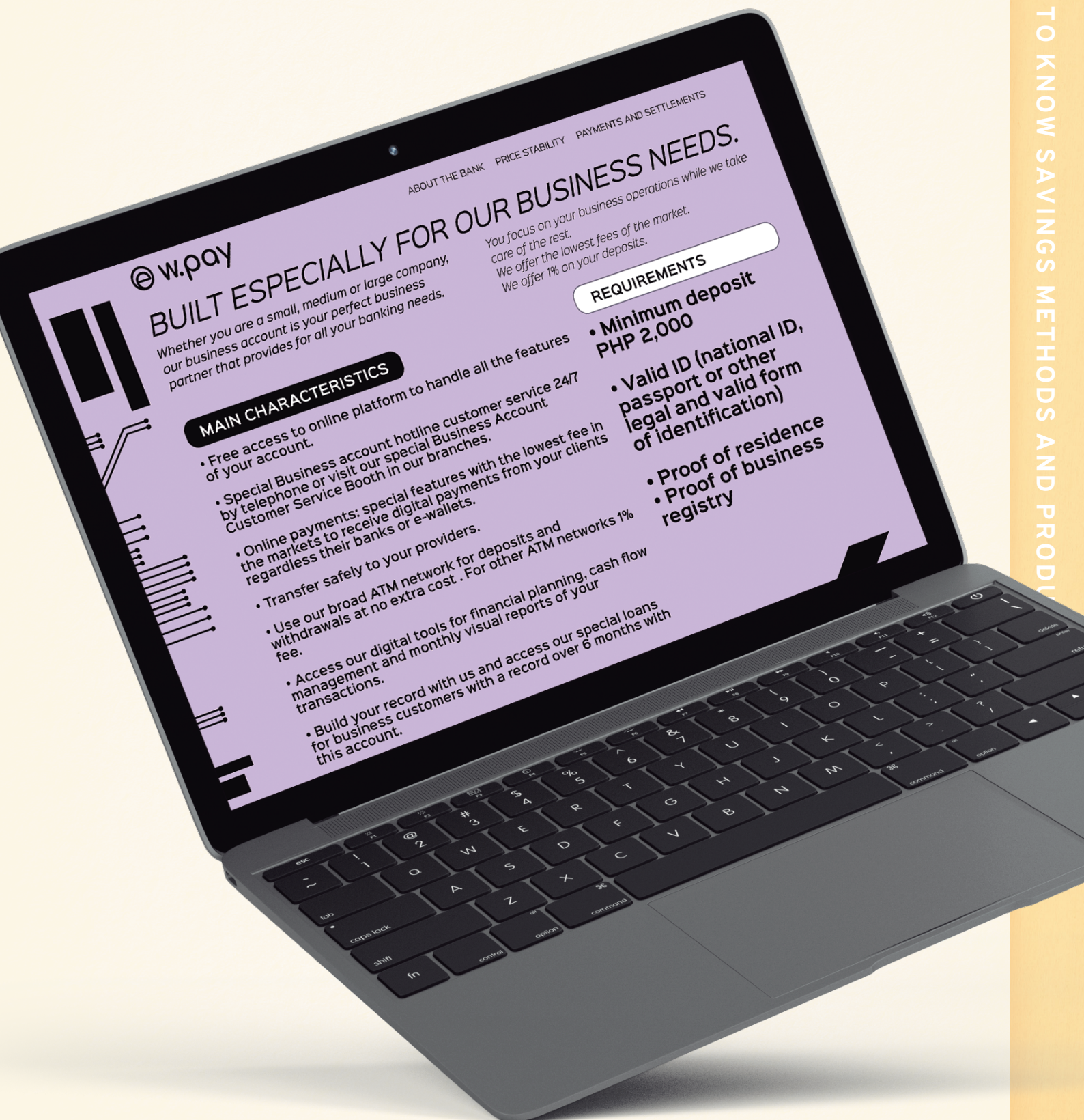
- No minimum deposit

-Free debit card to deposit or withdraw from ATMs. Receive your card straight to your address.

WWW.BEFINANCESMART.COM

TRAINING AID C.2.2

Brochure for a Business account



TRAINING AID C.2.3

Brochure for a Time (fixed) deposit account

TIME DEPOSIT ACCOUNT

MAKE YOUR MONEY EARN MORE MONEY

This account helps you gain high interest rates. Do not risk your hard-earned savings with risky investments.

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.

REQUIREMENTS

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

TERM: **FROM 3 MONTHS TO 3 YEARS**

MAIN CHARACTERISTICS

- Highest interest rate in the market – up to 4%. Rate is fixed and known in advance.
- Minimum deposit: PHP 1,000.00
- Free of charge for opening, transacting and closing account.
- Flexible deposits: you can add money to your deposit whenever you want.
- Penalty for early withdrawals.
- Free certificate of deposit.
- Build your savings history with us and access credit for your projects.



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

TRAINING AID C.2.4

Matching goals to savings products situation cards

MATCHING GOALS TO SAVINGS PRODUCTS SITUATION CARDS



SITUATION

1

Last month, Robert finalized an important job at the workshop and got paid a good amount of money. Maricel and him have been thinking a lot lately about the future of their children, and they decided that they could use some of this money to save up for their children's education. Noel is still very young, but Daniel and Elsa will graduate from high school in 3 years. They want to earn interest on their money even if they cannot withdraw it for a long period of time. They also don't want to be tempted to spend the money for other purposes.

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

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

MATCHING GOALS TO SAVINGS PRODUCTS SITUATION CARDS



SITUATION

2

Jane has two regular savings accounts at her Bank. One for her family and one for the restaurant. When she started the restaurant, she opened a similar bank account to the one she already had with Andres. Now, she would like to open a different business account for her business. She would like an account that would allow her to manage the restaurant's money easily and that would enable her to have simplified processes to pay for salaries, suppliers and to access online services. She ideally wants an account that charges her a small commission for clients paying with cards issued by that bank.

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

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

MATCHING GOALS TO SAVINGS PRODUCTS SITUATION CARDS



SITUATION 3

Cely has long been considering opening a bank account to keep her savings there. In addition to saving at the MFI, she also keeps some money at home in case she needs to use it for an emergency, but she knows that this way of saving is not very safe. She would like to open a savings account where she can save small amounts and withdraw or transfer the money if she needs it. Also, with the baby due soon, she would like to open the account online, so she doesn't have to travel to the bank. She would also like to manage the account from her phone.

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

FINANCIAL EDUCATION

MATCHING GOALS TO SAVINGS PRODUCTS SITUATION CARDS



SITUATION 4

Carlo wants to start to receive digital payments at the shop. For some time now, his customers have been asking him for this service. In addition, he would like to start selling his products online. He would like all the money he gets from the shop's sales to go to an account different from the family account. Carlo needs an account that allows him to deposit cash, receive and make transfers and payments through QR codes or digital wallets. In addition, he needs to be able to withdraw money when he needs it.

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

FINANCIAL EDUCATION

TIPS

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

- **Your personal situation:** : what is your income? Your expenses (including the repayment of a debt)? How much did you save? How much do you put aside when all is well? How much could you set aside by managing your money better?
- **Your goals:** for what purpose do you want to save? For emergencies? To study? To invest in your business or for creating a new business? 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?*
- *Can I access my account online?*
- *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 national from another country, 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 or calling 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. Remember that you can sort out many doubts by checking their webpages.

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.

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 lives -tock, 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.

Online access

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

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 EXERCISES

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) • Mobile wallets • Fintechs • Apps	• 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, mobile banking services or online savings accounts, you can check your balance and manage your savings 24 hours a day. • Many banks operate through Bank Agents that make their services much more accessible • Digital providers also allow you to check your balance and manage your savings 24 hours a day	• Not easily available for low income and illiterate people • Might require IDs or proof of residence not easily available • Bank employees are often sales personnel aiming to sell products, so they may put the interest of the bank first rather than the clients. • Remuneration rates vary from product to product. It can be very low. • Some products might have minimum deposit required for opening an account that may act as a barrier. • You may have to pay account charges. • A waste of time queuing at the bank. • The different products and charges are complex; fear of making a mistake. • Restricted opening hours (closed evenings and during weekends). • The effects of economic or political instability: financial crises, currency devaluations, blocking of withdrawals, impossibility of getting money out of the country (exchange controls). • Bank agents may have no sufficient funds to serve you



Savings method

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 number 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.



Answers to: Savings products comparative table using fictional brochures (C2)

	Regular savings	Business Account	Time deposit
Is it possible to open it if you are a MSME or informal business owner?	Yes	Yes for MSME owners. Not for informal business	Yes as long as you provide proof of funds origin
Is there a minimum deposit when you open the account?	No	PHP 2,000	PHP 1,000
Can you make withdrawals at any time? Do they have any costs or penalties?	Yes, at no cost using agents network and ABCD branches/ATMs. No information on other networks.	Yes, at no cost using the ATM network from the bank. A 1% fee is applicable using other ATM network	Yes, with penalties
What is the interest rate?	2%	1%	4%
Can you borrow money if you open a savings account?	No	Yes, after 6 months	Yes, after some time (not indicated when)
Is the savings schedule flexible or do you have to deposit certain amounts at a fixed date?	Flexible	Flexible	Flexible
Can I deposit or withdraw my savings in an ATM?	Yes	Yes	No

Answers to: Matching goals to savings products situation cards



ANSWERS SITUATION 1

Robert should try to open a **time deposit savings account** at the bank so that he will not be tempted to spend the money he was able put aside and he will receive a higher interest rate for his money.



ANSWERS SITUATION 3

Cely should try to open a **regular savings account**. She will be able to save small amounts and withdraw the money when she needs it. There are many financial institutions that will allow Cely to open online accounts, and that have mobile banking applications that will help her manage her money.



ANSWERS SITUATION 2

Jane should try to open a **business account** at the bank. This account is designed for entrepreneurs like Jane who need to manage their business money separately from their personal or family money, while also providing a good range of digital services. In addition, she will have many benefits for her restaurant, as business express loans, free access to an online platform to manage her company's cash flows and payments as well as a special customer service hotline.



ANSWERS SITUATION 4

Carlo should try to open a **business account**. He will be able to make transfers, receive payments through QR codes or digital wallets and withdraw the money when he needs it. He can even open it online.

D



▶ 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; D.2:c; D.3: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



STORIES OF FINANCING

JANE

In compliance with the new public health standards for restaurants, Jane wants to install table top dividers made of acrylic or any similar transparent material to prevent COVID transmission in face-to-face seating. To pay for these dividers, she will **use the savings** from the restaurant, which she accumulated on the business bank account. The consequence is that part of her savings will be used. However, she will not have to pay back a loan or pay any interest.

FINANCIAL EDUCATION

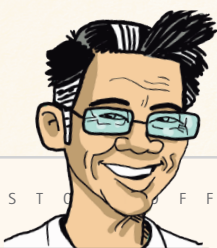


STORIES OF FINANCING

CARLO

Carlo and Elena need to buy a laptop for their business so they can access online orders faster, keep track of orders and answer to customers' questions. Elena will also participate to the ILO online training course Improve Your Business next month so she will need the laptop for that. Carlo **borrow money from a formal financial institution** to buy the laptop. The consequence is that he will have to pay back the loan and interests as part of a global repayment plan.

FINANCIAL EDUCATION



STORIES OF FINANCING

ROBERT

Robert started offering his services online. Every time a potential client asks him for a repair quote, he gets an alert on his personal phone. Robert wants to buy a new phone, to use it only for his business and leave the other one for personal use. He doesn't have enough savings to buy the phone, so he **decided to sell** an old camera through a pawnshop. He hesitates because the camera was a gift from his father, but he believes this is the best option to buy the phone as he is no longer using the camera.

FINANCIAL EDUCATION



STORIES OF FINANCING

CELY

Norman is here! Cely and her family are very happy about the arrival of the newborn. Cely has been at home for a few days now, but she is in some pain after the birth. Cely needs medicine to feel better, but Jose and her used all their savings on the expenses they had to make before Norman's arrival. As they have no other option, they decide to **borrow money from an informal lender**. The consequence is that they will have to pay back the loan after a short period with high interest and make sure they do it on time so this informal lender may not adopt other methods to get his money back.

FINANCIAL EDUCATION

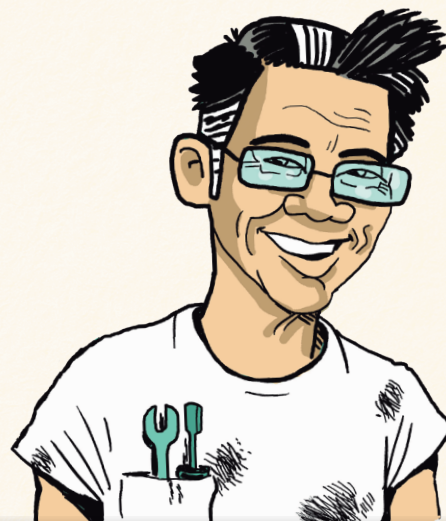
There are generally four ways in which people raise money to fund a project:

- 1 Sell an asset, like Robert.
- 2 Use personal savings, like Jane.
- 3 Borrowing money from informal sources of credit, like Cely.
- 4 Borrowing from a financial institution such as a bank, microfinance institutions, VSLAs or registered savings and credit cooperatives, like Carlo.

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

TRAINING AID D.1.2

The story of two businesses



ROBERT

You are Robert and you run a small workshop to repair motorbikes in the Philippines. Today, you are going to visit your friend, Jerry, who has a car repair workshop.

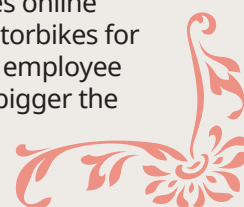
You ask Jerry many questions about how he funds his business. Jerry also wants to know how you go about your own.

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

You started out in an empty space in your house, with PHP 20,000 that you had saved up after many months working abroad. You also had PHP 5,000 given to you by your wife, who really insisted on helping you set up the workshop.

Although your workshop is very small, you have a plan to expand it little by little. As you know a lot about basic motorbikes, you used most of the money to buy key tools and some high turnover stock, such as brakes, cables, bolts, and nuts.

You try to put aside PHP 600 each week in a savings account dedicated to your business, which you have recently opened. In this way, every 3 or 4 months you have saved enough money to improve a bit your business (for example, to buy tools to enable you to also start fixing electronic issues in more modern motorbikes) and making it grow. Since you started offering your services online you have many new customers, especially from riders that use their motorbikes for delivery services. You are even thinking of hiring a part-time temporary employee to help you. The more profit you make, the more you can save and the bigger the investments you can make in the business.



JERRY

You are Jerry and you run a car repair workshop. Your friend Robert also has a similar shop. Today, Robert comes to visit you at your workshop.

You would like to know how Robert 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 PHP 20,000 that you had saved up and PHP 10,000 you borrowed from a friend. Later on, when the workshop was going well, you took a loan of PHP 30,000 from an MFI that supported entrepreneurs through a special scheme. This loan enabled you, among other things, to reform the workshop you have rented. As of this reform, you are slowly able to receive more clients in your nice workshop in a quiet street. You also have 2 full time employees.

You paid all your weekly expenses on time each week, including the repayments on your loans. However, after all your expenses, you are able to save only PHP 300 each week.

One day, a shop nearby that was closing had some very good used tools on offer that would be very useful in the workshop. This looked like a good business opportunity: you calculated that your income would be much higher as these tools would allow you to repair more modern cars. As you were afraid someone else would buy the tools, you made a quick decision. You therefore borrowed PHP 6,000 from your father to buy the tools.

QUESTIONS

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

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

CREDIT BROKER

PENALTIES

PRINCIPAL

GUARANTOR/COLLATERAL

GRACE PERIOD

RETHINK

EARLY REPAYMENT

MORTGAGE

PERSONAL CONTRIBUTION

Professional charged by his clients with finding them the most suitable and/or cheapest loans (generally mortgage loans) from banks and other financial institutions.

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.

The amount of the loan granted by the lender, net of interest.

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.

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...).

Repaying all or part of your loan before the term of the agreement.

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.

Period allowed between receipt of a loan and the first repayment (buy now, pay later).

Cancelling a credit agreement without penalty. A "cooling-off period" protecting you against impulse buying.

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.
- Online services.
- 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.

Let's focus on personal loans. 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%.



Case
Study N°1

CARLO'S REPAYMENT CAPACITY

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

After he took an online training in financial education, Carlo started to be very tidy with his numbers. He has a fixed income of PHP 12,000 from his work at his own company. Even though he is the owner, he

and Elena have a salary. In those months where the business is doing good, they are able to save more in the business account, but this can vary from month to month. (Please note that variable income, such as overtime payments or earnings different from entrepreneurs' salaries, vary from month to month and is not taken into account for the purpose of this calculation).

Monthly income: PHP 12,000

Monthly capacity to make repayments: Carlo is planning to take a personal loan.

30% of monthly income > PHP 3,600

Based on this calculation, Carlo may not undertake to repay more than PHP 3,600.00 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 Carlo's loan

Carlo has calculated that he will need PHP 38,000 to buy a laptop, which he will be able to use to take online trainings. He also plans to use the computer to manage the business more efficiently. He has researched the following financial products (personal loans) designed specifically for his needs. He is trying to work out which is the least expensive of the offers.

NAME OF PRODUCT	LOCAL BANK	MICROFINANCE ASSOCIATION	DIGITAL LOAN
Annual Percentage Rate (APR)	39%	55%	45%
Term of the loan (months)	36	18	12
Amount repayable each month (monthly instalments)	PHP 1,806.08	PHP 3,145.79	PHP 3,990.47
Total amount repayable (Term of a loan x monthly instalment)	PHP 1,806.08 x 36 = PHP 65,018.73		
Real cost of loan (Total amount repayable minus amount of capital requested by Carlo)	PHP 65,018.73 – PHP 38,000 = PHP 27,018.73		

Over to you!

What is the real cost of the loan offered by MICROFINANCE ASSOCIATION? (2)

And the real cost of the loan offered by DIGITAL LOAN? (3)

Which, then, is the least expensive loan Carlo is being offered? (4)



Warning! The cheapest loan is not necessarily the best one suited for Carlo's needs. For example, the loan with lower APR might require being a client of that institution for a long time before being able to get the loan.

(4). The correct answer is the DIGITAL LOAN

(2). Total amount repayable = PHP 56,624.20 (PHP 3,145.79 x 18). Real cost of the loan = PHP 18,624.20 (PHP 56,624.20 - PHP 38,000)

(3). Total amount repayable = PHP 47,885.61 (PHP 3,990.47 x 12). Real cost of the loan = PHP 9,885.61 (PHP 47,885.61 - PHP 38,000)



TRAINING AID D.3.2

Fictional brochures advertising loans



LOCAL BANK
THE BEST PERSONAL LOAN
FOR YOUR DIFFERENT NEEDS.

LOAN CALCULATOR

- Amount
PHP 38,000
- APR
39%
- Term of the loan
36 months
- Monthly repayments
PHP 1,806.08
- Grace period
No
- Maximum amount of loan for MSMEs owners/employees with a salary receipt
PHP 500.000
- Approval Time
within **5** working days for bank customers
- **CONDITIONS:**
 - One (1) valid government-issued photo ID
 - At least 21 years old at the time of application but not more than 65 years old upon loan maturity
 - For this personal loan, repayment capacity will be analysed through salary receipts.



adie.org

MFI
THE RIGHT LOAN FOR YOU

LOAN CALCULATOR

- ➔ Amount: **PHP 38,000.**
- ➔ APR: **55%**
- ➔ Term of the loan: **18 months**
- ➔ Monthly repayments: **PHP 3,145.79**
- ➔ Maximum amount of loan: **PHP 40,000**
- ➔ Approval Time: **30 days**

Conditions:

- Attend a financial education training course for 3 months
- Become a member of the association.
- The longest repayment period for a microfinance association.

[HOME](#)[SERVICES](#)[ABOUT](#)[CONTACT](#)[SIGN IN](#)

DIGITAL LOAN

THE BEST E-WALLET NOW OFFERS YOU THE FASTEST LOAN

Apply online to our loan and receive
your money in minutes.

[SIGN IN](#)[READ MORE](#)

LOAN CALCULATOR

Loan amount: PHP 38,000

APR: 45%

Term of the loan: 12 months

Monthly repayments:

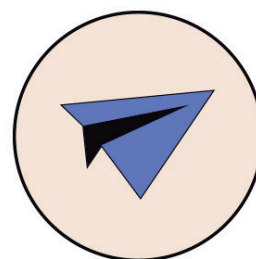
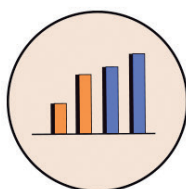
PHP 3,990.47

Grace period: No

Maximum amount of loan: PHP 40,000.

Immediate access to your approved loan if you are already our client.

24/7 customer service through our customer service chat.



CONDITIONS

Only available for our digital wallet clients.

Users have used the e-wallet for at least 6 months.

TRAINING AID D.3.3

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

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

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

Your turn!

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

☐ Yes ☐ No

If yes, for what goal?

What amount?

Now, look for information at financial institutions around you and fill in Carlo'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 Carlo, beware of low interest rates, which over a long period of time can actually be very expensive!

PROVIDER			
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:



BUSINESS LOANS: QUESTIONS TO ASK MYSELF BEFORE TAKING MY BUSINESS LOANS

QUESTION	SUGGESTIONS
1. Is this loan necessary for my business?	Borrowing can be an attractive option if it enables you to take advantage of a time-sensitive opportunity and/or it generates additional revenue that more than covers the cost of the loan. However, if your business already carries a lot of debt or if you lack collateral or a credit history, you may not be able to access a loan.
2. Why is my cash-flow important?	Your cash flow plan will help you determine how much money your business will need, why the money is needed and when it can be paid back.
3. How do I qualify for a loan?	To qualify for a loan from a financial institution, you have to first show the loan officers that your current business is doing well. You can do this by showing them the records of your previous sales, costs and profits. Then, you have to show the loan officers the purpose of the loan. Your plans for the following year should make it clear why your business will need to borrow the money. The loan officers will also want to see how the business will be able to make enough profit to pay back the loan. Your plans should provide them with that information.
4. How do I know if the conditions are good for me?	You should never accept a loan at a price that your business cannot afford, or with conditions that your business cannot comply with. The stronger your business becomes, and the more clearly you can document its capacity to operate profitably in the future, the easier it will be to access a loan and to negotiate its terms. You can increase your bargaining power by remaining loyal to a financial institution over a period of time.
5. What about repayments? How do I estimate this?	It is important to repay your loan when installments are due. Late payments will hurt your company's credit rating, which may make it difficult to borrow in the future. The cash to make the monthly loan payments should be generated from the business itself. If repayment of the loan must come from another source, the business would be getting deeper in debt, which would be a major concern. To ensure that your business can repay the loan when instalments are due, remember to include the instalment amount in your cash flow plan. Do not inflate your sales projections or the amount of loan requested in an attempt to ensure that you get the amount you need. This can lead to larger loan payments than your business has the capacity to repay.

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



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.
- Remember not all loans are the same. There are business loans, personal loans, student loans and others. Make sure to get the loan that fits your needs.

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

TRAINING AID D.4.1

A tale of over-indebtedness



PART 1

Cely is in the kitchen with Tess, her sister. They are preparing lunch.

- Tess** Sis, how are you feeling today? Can you come with me to the bank?
- Cely** To the bank? You're not borrowing again, are you?
- Tess** Well, yes. But this time it's different. I need money to pay the MFI. I was even thinking that maybe you could borrow money for me as you know Aurora, who works there.
- Cely** What?! No way. I don't like to ask for money if I'm not going to be able to pay it back. And you should do the same.
- Tess** Don't get angry. If the bank won't lend me, I'll go to the NGO that hardly asks for any requirements and seems very easy to borrow from.
- Cely** But you already have a loan with the NGO.
- Tess** Yes, but I will try to get another one. If they don't lend me money, I'll try an online bank. I heard you get the money within minutes, or maybe my good friend Rita will lend me again.
- Cely** Oh! You owe Rita money too! Now, I understand why she didn't come to meet Norman.

PART 2

At this moment, someone knocks on the door. Tess looks out the window to see who it is.



- Tess** Oh no, Cely! It's the money lender. Please be quiet, so he thinks we're not here and he goes away.
- Cely** Why? What's going on Tess?
- Tess** Shhhh!!
- Cely** This is absurd. I'm going to open the door.
- Tess** No! Please! I owe him a lot of money. Last week, he told me that if I didn't pay him, he would come home to take my TV.
- Cely** Oh Tess, we can't live like this. You have to figure this out.
- Tess** Yes, yes. I promise I will pay him this week. Please stay quiet.

QUESTIONS

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

DEFINITION

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

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

TIPS TO STAY AWAY FROM OVER-INDEBTEDNESS

- Only borrow the amount of money that you can manage to pay back. Be careful with easily accessible digital loans that might tempt you to borrow more than you can repay.
- 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. You can use many digital tools available for this.
- If you can't make the loan repayment on time, be honest with your lender and explain the reasons for such challenge.
- Listen to the advice of your lender, friends and family on how to pay back your loan.
- Reduce some of your daily life expenses in order to pay off the debt.
- Always keep some emergency savings so that you can cope with emergencies without affecting your loan repayments.
- Take action! Go and see your account manager at the financial institution. Do not wait until it is too late to ask for assistance.



TRAINING AID D.4.2

ROLE-PLAY CARDS

ROLE - PLAY CARD

CARD 1



You are friends with Tess. She has debts with many of you. She is failing to repay her loans and she doesn't answer her phone anymore. Prepare a short sketch in which you discuss the situation and decide what to do about Tess.

FINANCIAL EDUCATION

ROLE - PLAY CARD

CARD 2



You are members of Tess' family. You are concerned about her situation and her debts are affecting the whole family. Prepare a short sketch in which you discuss the situation and decide what to do about Tess.

FINANCIAL EDUCATION

ROLE - PLAY CARD

CARD 3



You are employees of the Microfinance Institution that lent money to Tess. Prepare a short sketch in which you share Tess' 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 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

Do you often take revolving credits (renewable credit)?

☐ Yes ☐ No

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?
- 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?
- How far away is the office where I need to make the payments from my place of residence/business?
- Do I need to attend meetings in order to get my credit?
- How long are these meetings?
- Do you check if I have other loans with other institutions?

ANSWERS TO EXERCISES

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)

CREDIT TERMS AND DEFINITIONS CARDS

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 Carlo's loan (Training Aid D.3.1)

NAME OF PRODUCT	LOCAL BANK	MICROFINANCE ASSOCIATION	DIGITAL LOAN
Annual Percentage Rate (APR)	39%	55%	45%
Term of the loan (months)	36	18	12
Amount repayable each month (monthly instalments)	PHP 1,806.08	PHP 3,145.79	PHP 3,990.47
Total amount repayable (Term of a loan x monthly instalment)	PHP 1,806.08 x 36 = PHP 65,018.73	PHP 3,145.79 x 18 = PHP 56,624.20	PHP 3,990.47 x 12 = PHP 47,885.61
Real cost of loan (Total amount repayable minus amount of capital requested by Carlo)	PHP 65,018.73 – PHP 38,000 = PHP 27,018.73	PHP 56,624.20 – PHP 38,000 = PHP 18,624.20	PHP 47,885.61 – PHP 38,000 = PHP 9,885.61

NOTES

Answers to: Table summarizing the arguments that influenced the character in choosing a lender and a loan (Training Aid D.3.3)

FACTORS	LOCAL BANK	MICROFINANCE ASSOCIATION	DIGITAL LOAN
APR / cost of the loan	• Lowest APR • Highest real cost of the loan	• Highest APR • Average real cost of the loan	• Average APR • Lowest real cost of the loan
Ease of accessing a loan and conditions	• Possible, but he has to prove his ability to pay back the loan.	• Possible only if he becomes a member and attends a training course for 3 months.	• Impossible, because Carlo's capacity to make repayments is not enough.
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	• No
CONCLUSION	• This is the loan where he will repay the most, but this is because he can repay it in 3 years. It has the lowest monthly instalment. He will need to prove his repayment capacity	• The loan has the highest APR. Support is available for entrepreneurs. He needs to become an active member	• This is the loan that has the shortest repayment period. He would pay less in total. APR is relatively high. The monthly instalment is too high for his personal repayment capacity.

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?

- ☐ a. Ask a colleague to bring money home.
- ☐ b. Through a formal money transfer operator or digital wallet.
- ☐ 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
- 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

CELY'S VERY HAPPY WITH HER FIRST CARD

Cely finally opened her online bank account. She is very happy with the benefits and the convenience of managing her finances from the mobile app. Her account includes a bank card that Cely slowly starts to use. First, she goes to an ATM and uses the card to withdraw money. She also checks her balance. On her way back home, she goes to a new shop that just opened and buys some groceries. When she arrives home, she tells her father all she was able to do with her card. She is very happy!



Case Study N°2

EDWIN, ROBERTS' BROTHER, USES HIS CARD

Robert's brother, Edwin, received a card from the bank in which his employer pays for his salary. He used the card a lot at the beginning as he had many expenses and found it very convenient to have a card that allowed him to pay for goods and services without having money in his account. The days pass by and Edwin uses his card without paying too much attention to all the expenditures he is making. He always thinks he will check his expenses during the weekend, but he never finds the time to do it. At the end of the first month with his card, he realizes that he does not have enough money to cover all the expenses made with his bank card. He will have to pay interest and if he doesn't pay, there will be serious consequences.

DEFINITION**Pre-paid or cash cards**

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

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 cell phone. In some cases, you might receive a statement from the bank or financial institution, 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 WALLETS



Case
Study N°3

CARLO GETS PAID THROUGH DIGITAL WALLETS

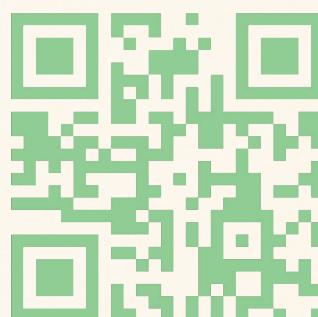
Carlo is very happy. He started receiving digital means of payment a few days ago. He put up some posters to let his customers know that they can now pay digitally.

Today, her friend Michael is at the shop to buy some fabrics. At the counter, Carlo tells Michael that he can pay cash or using the digital wallet everyone is talking about. Carlo also explains that no cash is used to pay with the digital wallet so it is safer for everyone. Michael, who has downloaded this digital wallet and deposited part of his money there, decides to try it for the first time. He follows Carlo's instructions and pays with his phone. At the same time, Carlo receives the following message on his phone: "You have received a new payment". Both are very happy. Michael feels more confident using digital means of payment and Carlo received the money quickly in his account. Now, he won't have to go home with the cash or go to the bank to deposit it.



Case
Study N°4

CELY PAYS USING A QR CODE



Cely has an appointment with Norman's doctor at 1pm at the Northern Mindanao Medical Center. Cely and Jose left early in the morning and decided to walk around the Gaisa-

no City Mall until it is time for their appointment. A few minutes before leaving the City Mall, it starts raining heavily. Jose decides to order a taxi through a mobile app. In a few minutes the driver arrives. At the time of payment, the taxi driver tells Cely that because of COVID-19, he prefers contactless payments and that she can pay by scanning his QR code. Cely 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. The taxi driver tells her to wait a few seconds for him to generate a QR code for this payment. Cely scans a QR image printed at the back of the driver's seat. After pressing OK on her phone, the money is withdrawn from her digital wallet. Cely is fascinated by how quick and convenient this payment was and how he was able to use it 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	Disadvantages
	• 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. • Retailers are rarely short of money. • You do not need a bank account. • Transactions are made immediately. • It allows you to pay bills and send money in an easy, traceable and safe way.	• You may forget your PIN. • Your mobile phone might be stolen. • If you do not monitor your expenses, it might be 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°5

ROBERT FORGETS THE SECRET CODE

Finally, Robert opened a time deposit savings account at the bank. He believes that today is the last day of the term he has chosen, and his funds will be available again for him. He is not

sure about this, so he decides to log in on his online banking account to check this. He types his username and then his password, but the website shows a message "ERROR: Incorrect username or password". Surprised, Robert retypes his password, but he gets the same error message. He thinks again for a second, and tries the same password but this time in capital letters. The website shows a new message "Account blocked! Too many wrong attempts. Please contact customer service". Robert is very annoyed, if he wants to reset his password, he has to call customer service and probably go to a branch to finalise the procedure and retrieve his online banking access.

SECURITY TIPS FOR MEANS OF PAYMENT

- Use your means of payment carefully, always thinking about staying within your budget.
- Keep your card, check book, wallet and mobile phone in a safe place.
- Never lend your credit card or check book 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).
- Digital wallets are a great way to digitalize the way you use your money and use less cash. It can be a great way to start using financial institutions.
- 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°6

JOSE AND CELY DO NOT KNOW WHERE THE MONEY IS

Jose decide to send some money to Jose's parents so they can meet their grandson. Jose decides to send the money with an acquaintance who will be traveling to Dávao on Monday. As he has sent money before through friends and acquaintances, he doesn't hesitate. On Thursday, his father calls Jose to tell him that he has not yet received the money. Surprised, Jose calls his acquaintance, but the phone is out of service. The money has never reached Jose's parents, who are very sad.

Jose's parents live in Dávao. They want to meet Norman, but don't have the money to take the trip. After talking it over, Cely and



Case
Study N°7

**JANE USES
A FORMAL PROVIDER**

Jane opened her business account, and she is very happy with it. It has many benefits for her, for her employees and for the restaurant. She

now uses this account to manage the restaurant's money.

This week she needs to pay for her suppliers' bills. She has always paid some of them in cash, but now she wants to start paying all of them through her business bank account. When the restaurant closes, she stays a few minutes longer to log in on her online banking platform. She goes to the menu, searches for the transfer option and uploads her supplier's details. Then, she introduces the amount to be transferred, authorizes the financial operation and it's done!

When she gets home, she tells Andres how easy it was!

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) • Money Transfer Operators (Via agency or Internet) • Banks (via bank branch or Internet) • Digital wallets	• 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

Jane's method

Jane pays her supplier's bills through the bank, using her bank's online banking platform. This way, she has a record of the financial transactions and can keep a proof of the transfer.

Carlo's method

Carlo uses his digital wallet to pay the salary of his new employee, who has the same digital wallet as him.

Robert's method

Robert sends money to his parents, who live in Manila, using a money transfer operator.

Cely's method

Cely uses her digital wallet to pay for a taxi ride.

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.

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.
- Guji calaamada ay ku qorantaha gudbi/dir lacagta. Mararka qaar calamadan waxaad kasoo helaysaa Taabka bixinta lacagta.
- 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

TRAINING AID E.3.2

Form for transferring money
(transfer operator's form)

MONEY TRANSFER FORM

Date

Amount

Currency

SENDER INFORMATION

Surname:

Name:

Address:

Telephone number:

Date and place of birth

ID card or passport number:

RECEIVER INFORMATION

Surname:

Name:

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

Optional services available at additional costs.
Check services desired:

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

CUSTOMER'S SIGNATURE

Form for transferring money
(bank's international transfer form)

Date _____

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

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 EXERCISES

Advantages, disadvantages and use of means of payment



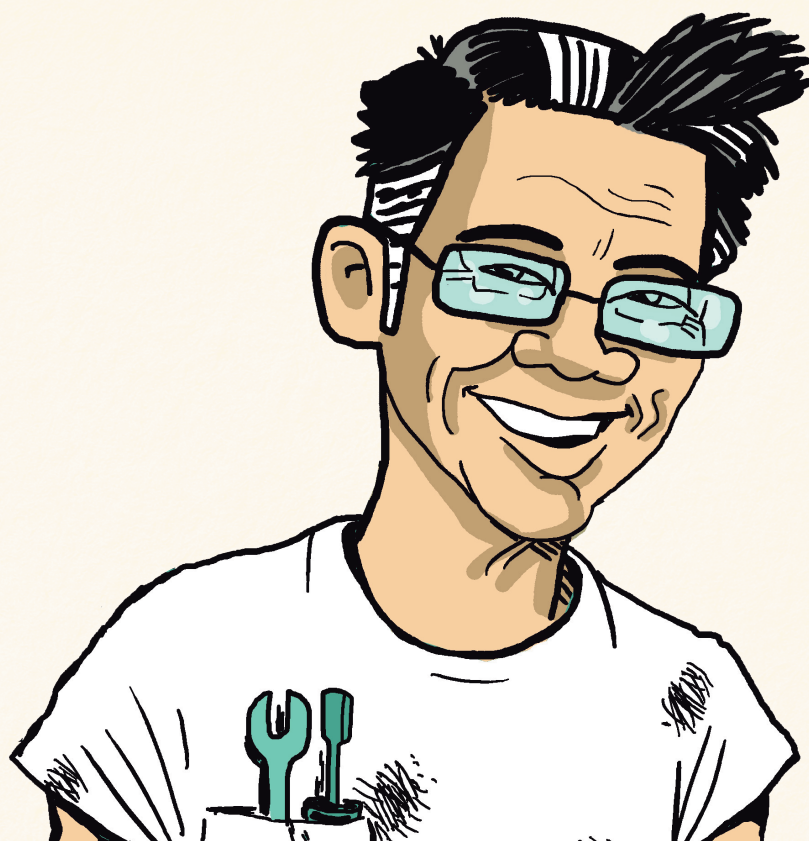
Means of payment	Advantages	Disadvantages	Use
Cash	• Simple to use • Very widely accepted (legal tender) • No charges • Immediate purchase possible	• Risk of theft or loss • No remedy in the event of theft or loss • Limits on the permitted amount of transactions (not everything can be paid for with cash, especially when large sums are involved) • It leaves no evidence on the transaction (could be problematic for budget management)	• For everyday purchases when small amounts of money are involved • To limit what you can spend during a particular period or on a particular occasion • To be able to buy something immediately
Bank card	• Security (generally speaking) • Leaves a trace of the place and amount of the transaction, and the item purchased • Protection against theft (secret PIN, the card can be cancelled if stolen) • Possible to make purchases involving large sums • They can be linked to bank accounts in other countries (not necessarily where I live) • May give access to secondary products: e.g., legal assistance, insurance when buying airline tickets - Access to other financial services (insurances, legal assistance) • They can be linked to loyalty programmes that could lead to benefits/ discounts	• Sometimes significant charges: annual fee, charges for withdrawals, payments made abroad... • 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 • Easy to pay bills • Creates automatically a record of your spending • Allows you to handle your money in a safe way • Might pave the way to access other financial services	• 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



▶ 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 and digital financial services providers in my 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 and digital financial services providers 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.

Fintech is the term used to describe any technology that delivers financial services through software, such as online banking, mobile payment apps and cryptocurrency. Fintechs is usually used as the term that englobes the companies offering financial services through technology.

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

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 (access to services through Internet, spending alerts via SMS, telephone banking, access to digital financial services...) 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
- Digital access
- 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...)

QUESTIONS TO ASK

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 (access to services through Internet, spending alerts via SMS, telephone banking, access to digital financial services...) and costs	• Do you provide remote services? • What kind of services can I access through Internet? • 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)?
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 (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?
Digital access	• To which extent can I operate my savings account online?
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? • How is interest calculated? Is the rate fixed or variable?
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: access to the services through Internet

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

ROBERT SPEAK ABOUT FINANCIAL INSTITUTIONS

Robert drinks coffee with his friend, Jerry. Jerry had a bad experience with a bank: He opened his bank account online, without the need to go to the bank. He was very happy with the conditions described on the bank's webpage, but later he discovered that the account had higher fees than the ones described at first sight. He also found out that he was paying for services he did not really use. He regrets having made a hasty decision without having read the information properly. Robert explains that before opening his first bank account, he looked up information online for each bank and compared the advantages and disadvantages with Maricel by downloading the account features from the banks' websites to analyze them. Before making a decision for one of them, he asked a lot of questions through chatbots available on each website. In some cases, he even called them. In the end, he decided to open an online account with one of the banks that offered him a regular account and a business account for the workshop. Jerry decides to find out how he can close his account and, like Robert, get information about financial institutions to find one better suited to his needs.

QUESTIONS

- Why does Jerry 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**

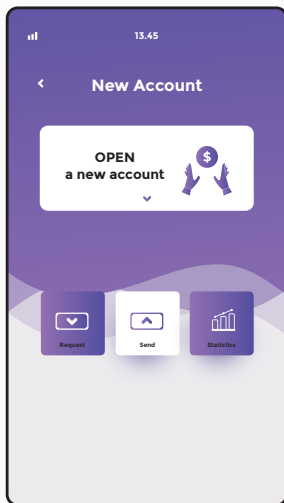
- In order to select a financial institution, you need to review its characteristics and its products and choose the ones that are the most adapted to your needs.
- To review the characteristics and the products of a financial institution, it is important to review the brochures, leaflets as well as 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

Stages for opening an online account

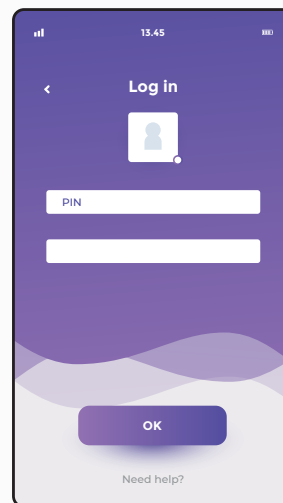
CARD A



Select "open a new account"

FINANCIAL EDUCATION

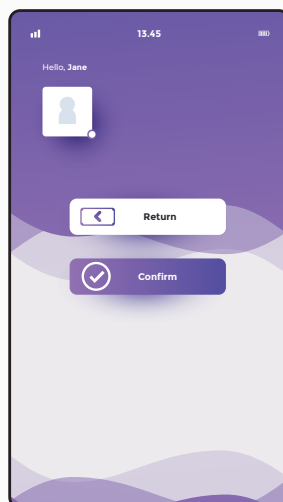
CARD B



Enter the one-time PIN that the provider will send to your phone as SMS.

FINANCIAL EDUCATION

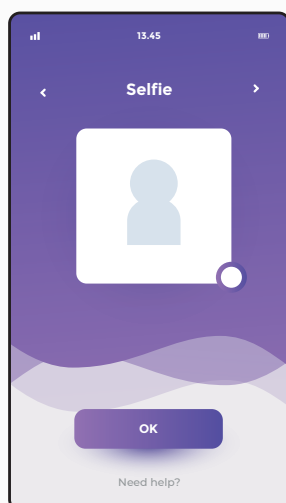
CARD C



Review and confirm your application.

FINANCIAL EDUCATION

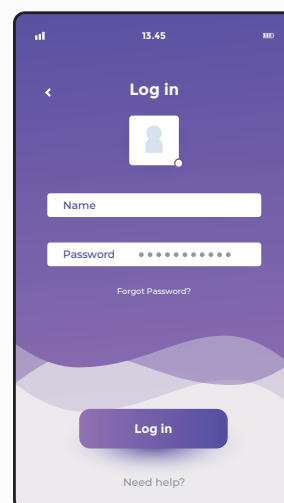
CARD D



Take a selfie.

FINANCIAL EDUCATION

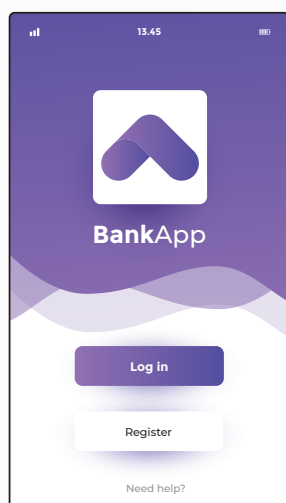
CARD E



Create your user name and password account.

FINANCIAL EDUCATION

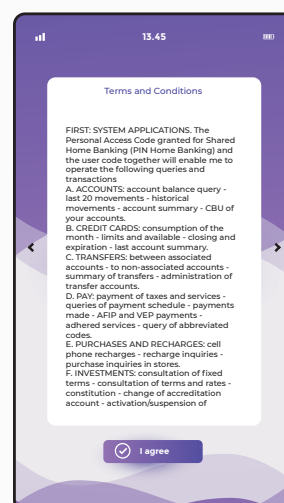
CARD F



Download the app of your selected provider on your phone. Usually you can find these in the different apps stores (Google Play Store, Apple App Store, Huawei AppGallery)

FINANCIAL EDUCATION

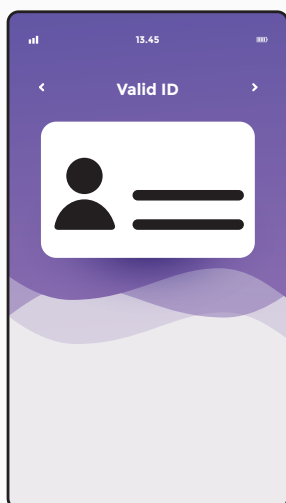
CARD G



Read and agree our terms and conditions.

FINANCIAL EDUCATION

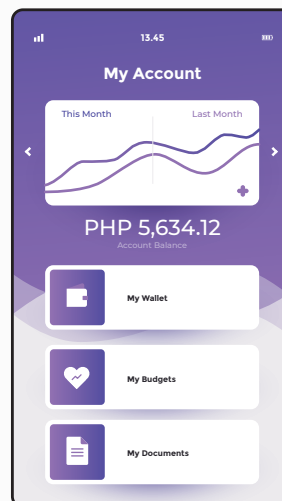
CARD H



Scan your valid ID.

FINANCIAL EDUCATION

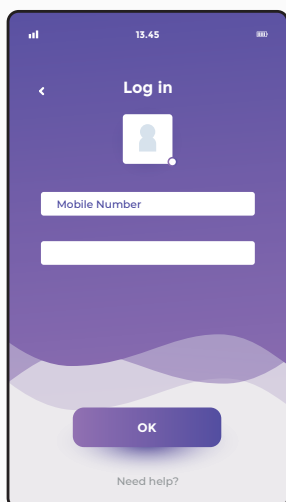
CARD I



Access your newly created online account. Congratulations!

FINANCIAL EDUCATION

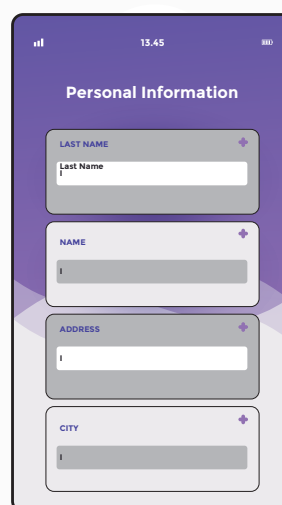
CARD J



Enter your mobile number.

FINANCIAL EDUCATION

CARD K



Fill in your personal information.

FINANCIAL EDUCATION

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



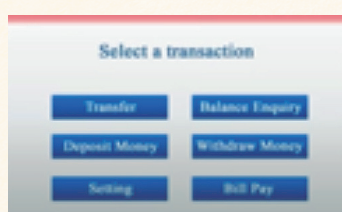
Insert your ATM card in the ATM machine (You may see a green slot or any kind of slot).

STEP 2: ENTER 4 DIGIT ATM PIN



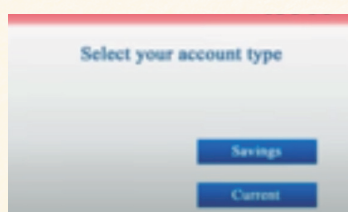
Using the keypad you have to enter your 4-digit password. But always remember that no one can see your password while you are entering a password and also do not share this password with anyone. More than 3 times the wrong password, your ATM card can be blocked.

STEP 3: SELECT YOUR TRANSACTION

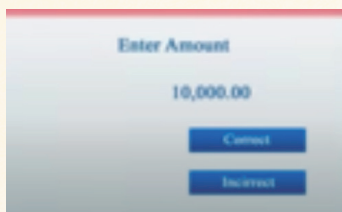


At this moment, you can see many options appearing on the screen, such as money withdrawal, transfer, balance enquiry, etc. In this case, you should select "Money withdrawal" or "Withdraw money".

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 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 - principles of customer protection

DESCRIPTIVE CARDS N°1

I own a small shop selling imported products.

I have just contracted a business loan with a nearby microcredit institution. The amount is exactly the amount I needed. In three months' time, I shall be selling a big order to an important client 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

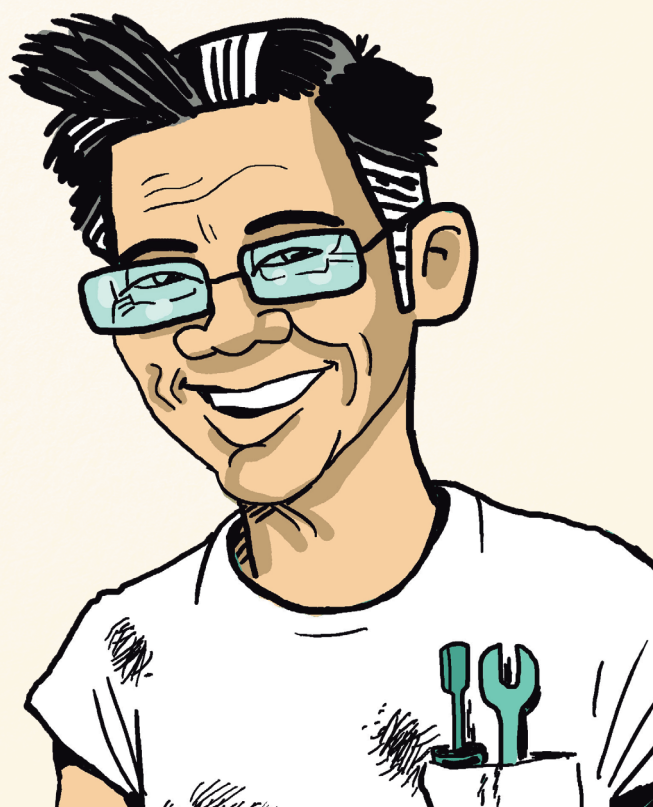
Financial institutions are bound to treat their customers fairly and respectfully. They must not practice discrimination in any form. They must ensure that adequate measures are in place to detect and remedy instances of corruption and any aggressive or abusive behaviour on the part of their agents and 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

Jane and Andres have been thinking about their old age and they believe it is time to start saving slowly for their retirement. They have accumulated some savings, and they want to earn some interest on their money over a longer period even if they cannot withdraw it for a long period of time. Jane heard that a time deposit savings account could help her save for this goal.

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

FINANCIAL EDUCATION

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



SCENARIO 2

Carlo and Elena's company is growing fast! Carlo hired a new employee to help them in the business. Both Carlo and Elena now receive a higher fixed salary from their own shop. Elena thinks she should open an account to manage her own money. She would like to open an account where she can receive her salary and that has no maintenance costs.

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

FINANCIAL EDUCATION

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



SCENARIO 3

Jerry, Robert's friend, is very happy with his new regular bank account. He uses it for everything! But he thinks that he should keep his personal and business money separated. He would like to open a new account specifically for his business.

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

FINANCIAL EDUCATION

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



SCENARIO 4

Cely and Jose had a hard time repaying the informal lender's loan. They believe it is important to save for unexpected events or emergencies, so Cely thinks it is time to set up their emergency fund. She would like to keep their money safe, but also wants to be able to access it easily if they need it.

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

FINANCIAL EDUCATION

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

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

Interest rate

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

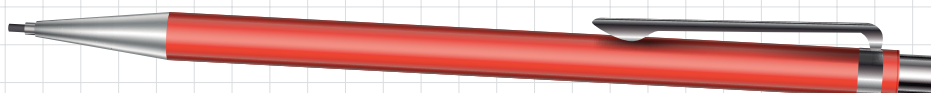
Costs of saving (charges, penalties)

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 EXERCISES

Answers to: Descriptive cards (Training Aid F.2.1)

ANSWERS DESCRIPTIVE CARDS N°1 <i>Application form for opening an account</i>	ANSWERS DESCRIPTIVE CARDS N°2 <i>Customer service agent</i>
ANSWERS DESCRIPTIVE CARDS N°3 <i>Branch manager</i>	ANSWERS DESCRIPTIVE CARDS N°4 <i>Bank clerk</i>
ANSWERS DESCRIPTIVE CARDS N°5 <i>Security guard</i>	ANSWERS DESCRIPTIVE CARDS N°6 <i>Display board</i>
ANSWERS DESCRIPTIVE CARDS N°7 <i>Document display shelves</i>	ANSWERS DESCRIPTIVE CARDS N°8 <i>Withdrawal slip</i>
ANSWERS DESCRIPTIVE CARDS N°9 <i>A cheque</i>	ANSWERS DESCRIPTIVE CARDS N°10 <i>Paying-in slip</i>

Answers to: stages for opening an online account (Training Aid F.2.2)

STEP	CARD	DESCRIPTION
STEP 1	F	Download the app of your selected provider on your phone. Usually you can find these in the different apps stores (Google Play Store, Apple App Store, Huawei AppGallery)
STEP 2	A	Select "open a new account"
STEP 3	G	Read and agree our terms and conditions
STEP 4	J	Enter your mobile number
STEP 5	B	Enter the one-time PIN that the provider will send to your phone as SMS.
STEP 6	K	Fill in your personal information
STEP 7	H	Scan your valid ID
STEP 8	D	Take a selfie
STEP 9	C	Review and confirm your application
STEP 10	E	Create your user name and password account

Answers to: Descriptive cards - principles of customer protection (Training Aid F.2.4)



DESCRIPTIVE CARDS N° 1

I own a small shop selling imported products.

I have just contracted a business loan with a nearby microcredit institution. The amount is exactly the amount I needed. In three months' time, I shall be selling a big order to an important client 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 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 behaviour 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.

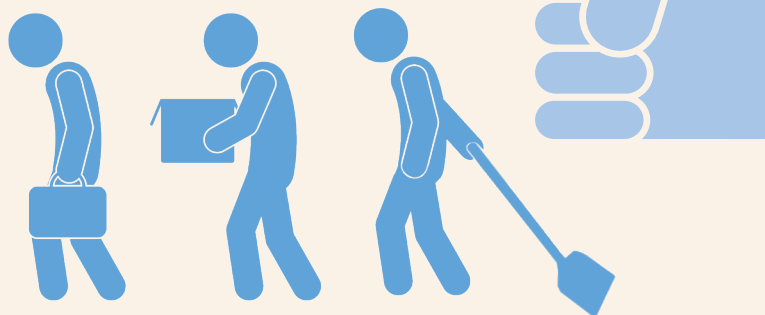
DEFINITION

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

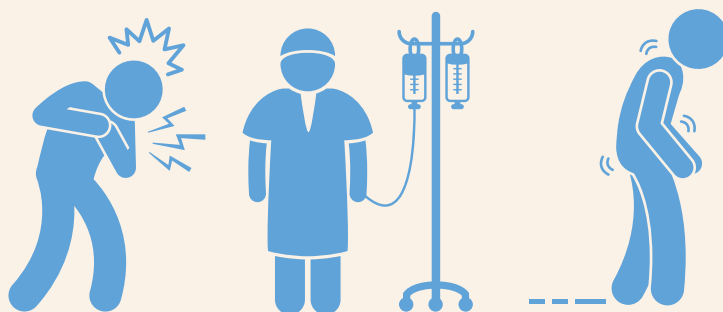
Unemployment



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
- For business owners, take into account that there are many occupational safety and health risks at the work place. You should take into account these costs.

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

JANE'S EMERGENCY FUND

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

Jane's family's income over one year	
Month	Amount (PHP)
January	30,500
February	31,500
March	31,000
April	30,500
May	31,500
June	31,000
July	32,500
August	33,300
September	31,000
October	32,500
November	33,300
December	32,000
Total	380,600

Questions about Jane and her family:

- What is the total amount Jane'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: 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: a business that provides insurance services. Its goal is to make profits.





Case
Study N°2

CARLO HAS AN ACCIDENT

Carlo had an accident yesterday. While he was organising some boxes with materials in the warehouse, he slipped and fell from a ladder. Fortunately, he was not seriously injured, just a tap on

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

Luckily, Carlo was registered formally as an employee of the company. They have an insurance policy that would cover accident-related expenses, such as medicines, consultations with the doctor and hospital visits, for all workers, including Elena and him. A small amount of money is deducted from the monthly salary of each employee to pay for this. It is the first time Carlo faces an accident like that. He decides to report the accident through the insurance company's mobile application. He also has a video call with an insurance agent who explains the procedure to follow. Carlo is relieved; all his medical expenses are covered. In addition, he knows that if any of his employees have an accident at work, they will be protected by the insurance.

Case
Study N°3

ROBERT INJURES HIS FOOT

One day at the workshop, Robert dropped a heavy tool on his foot and broke his toe. He did his best to stop the bleeding and bound up the wound. He tried to ignore the pain, but that evening

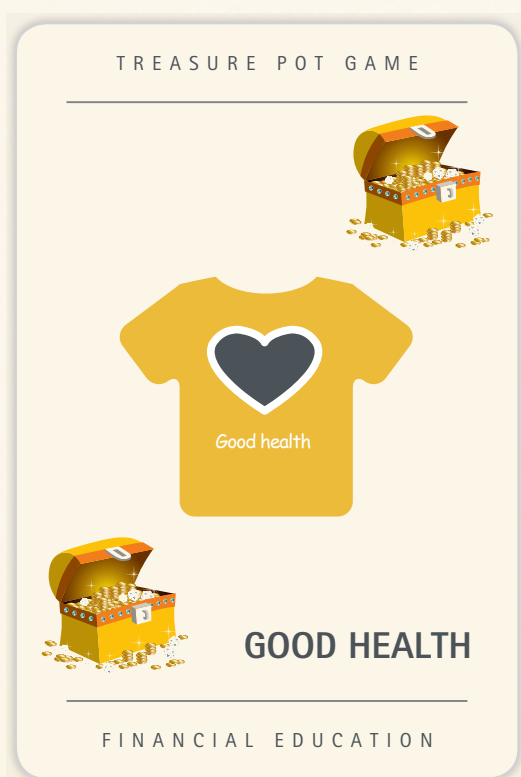
his toe got badly swollen. He had to work the next day, because he had several motorcycles to repair but was in a lot of pain. He was afraid that, if he had to go through expensive diagnosis and treatment, he would not have enough money for this. At night, the pain was unbearable so Robert went to the hospital. The doctor told him that he needed x-rays and medicines, but he does not have enough money to pay for all of that. Maricel told him many times to take out an accident insurance, but he thought it was a waste of money. Now, Robert will have to borrow money from an informal lender to pay for these expenses and get a treatment. He would like to avoid having to borrow money if something similar were to happen again.

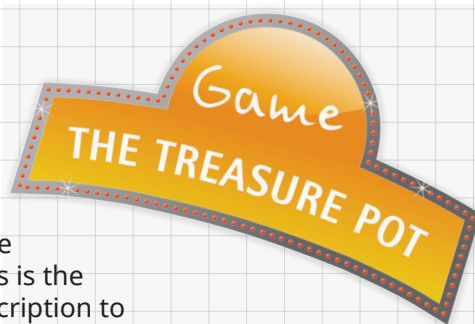
IMPORTANT: Sometimes our stress can have an impact on our body. If money management worries you this can result in physical health problems.



TRAINING AID G.2.1

The 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.

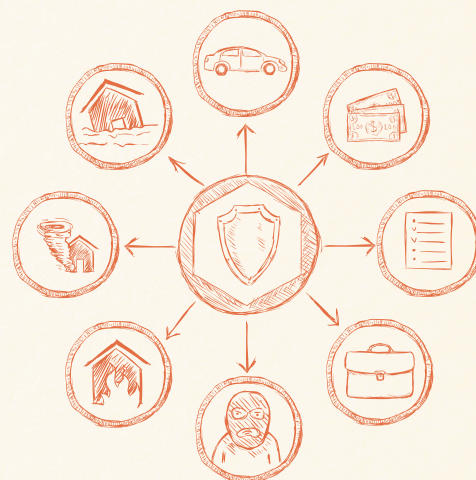
The secret of risk pooling lies on the fact that we all contribute with a part of our resources to a common pot. We do not need to draw from this pot all at the same time. However, insurance works only if all contribute together.

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 you 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.



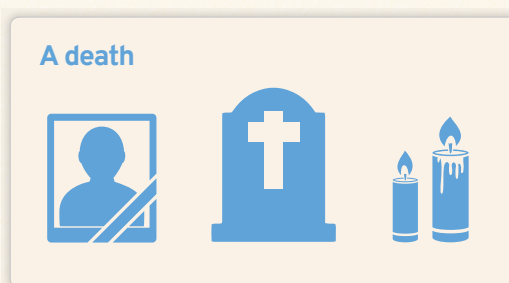
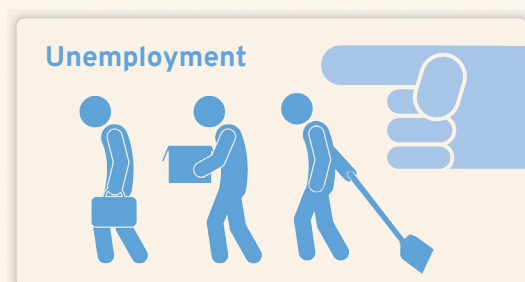
4. USE YOUR INSURANCE POLICY

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.

GENERAL RISKS	RISKS SPECIFIC TO CERTAIN CATEGORIES OF PEOPLE
• Death • Sickness • Accident • Theft • Your house burning down • Loss of job/unemployment • Physical, psychological and/or sexual abuse	Business owners and entrepreneurs • Risk of economic losses • Risk of health and safety accidents at the workplace • Reputational risks • Liabilities risks

TRAINING AID G.3.1

Risk cards



QUESTIONS

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

Let's review the key terms and definitions

BASIC INSURANCE TERMS	
Compensation or pay-out	<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>

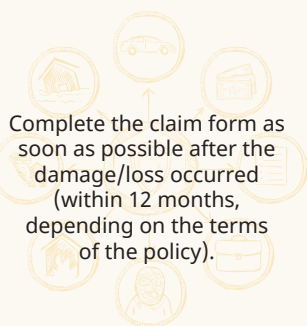
To make a successful claim you should follow some steps. Remember you will need to fill in a claim form and send all the necessary documents.



TRAINING AID G.3.2

Stages in making an insurance claim

STAGES IN MAKING AN INSURANCE CLAIM



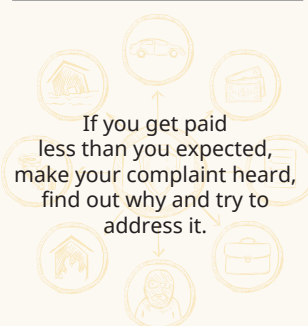
FINANCIAL EDUCATION

STAGES IN MAKING AN INSURANCE CLAIM



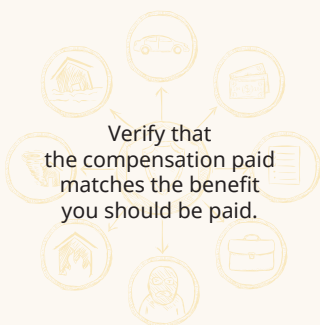
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STAGES IN MAKING AN INSURANCE CLAIM



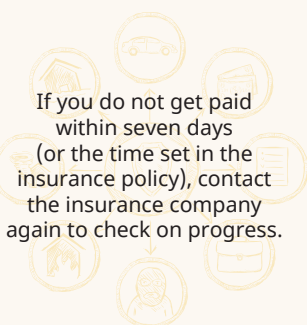
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STAGES IN MAKING AN INSURANCE CLAIM



FINANCIAL EDUCATION

STAGES IN MAKING AN INSURANCE CLAIM



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 accident insurance policies they have hired.

TRAINING AID G.4.1

Accident insurance cases

CASE STUDY #1 Robert

After some minor accidents, Robert has signed up to an accident insurance policy for him and his family. During the first year, none of them suffered from any accident. Maricel thought Robert should get a refund of at least some of his premiums, as he had not used the policy to obtain health care after an accident.

- **Is Robert entitled to a refund? Why?**

CASE STUDY #2 Tess, Celys' sister, has an accident

Cely and Jose have taken out an accident insurance policy offered by an insurance provider. One afternoon, Tess, Celys' sister, came home with an injured arm. She had fallen down the stairs. Cely thought it was a serious injury and Tess was in a lot of pain. They went to the hospital. The doctor said that Tess had a broken bone and had to be operated on.

- **Will Cely's insurance cover the costs of Tess accident care? Why?**

CASE STUDY #3 Carlo

Carlo fears that he will not be able to pay the premiums for the new accident 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 has been struggling with his knee for the past few months and will most probably need a surgery soon.

Even though the premium provides health coverage for a year, Carlo 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 Carlo purchase an insurance policy for just three months? 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 (G1)

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

ANSWERS TO EXERCISES

Answers to: Accident insurance cases (TRAINING AID G.4.1)



SOLUTION CASE STUDY #1

Is Robert entitled to a refund? Why?

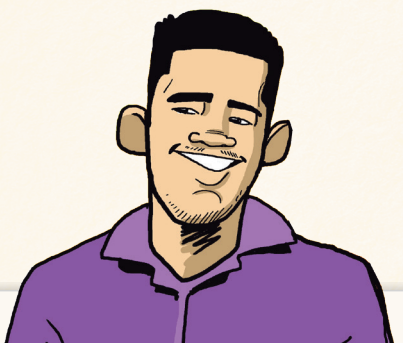
Robert is not entitled to a refund, because the purpose of his accident insurance is to protect against a risk. Even if no one in his family has an accident, his premiums will not be refunded.



SOLUTION CASE STUDY #2

Will Cely's insurance cover the costs of Tess accident care? Why?

No, Cely's policy clearly does not cover Tess. 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 hires the insurance, paid an additional premium for someone else when taking out the policy.

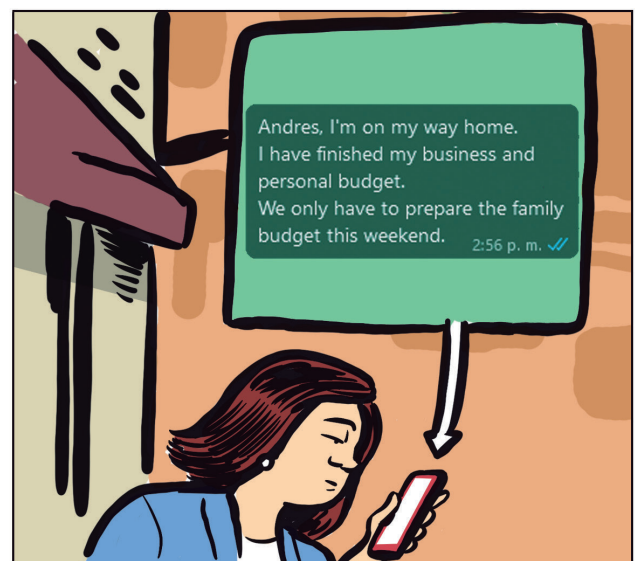
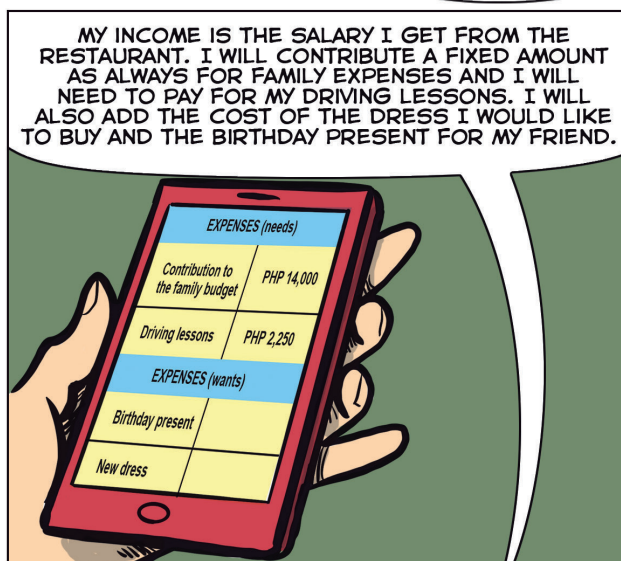
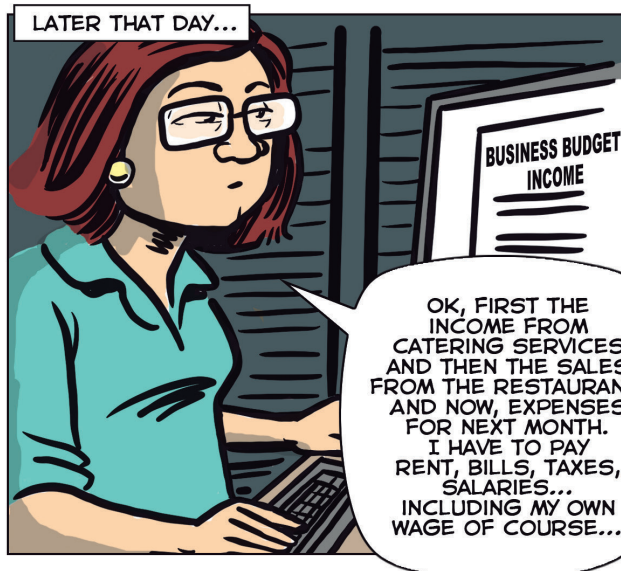
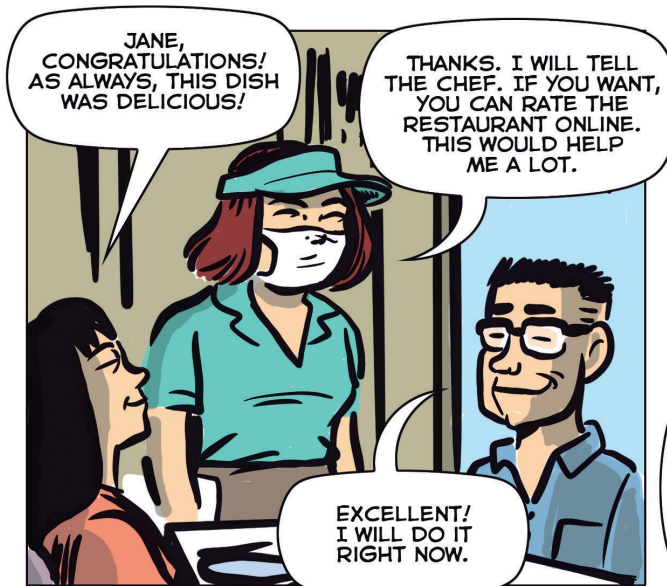


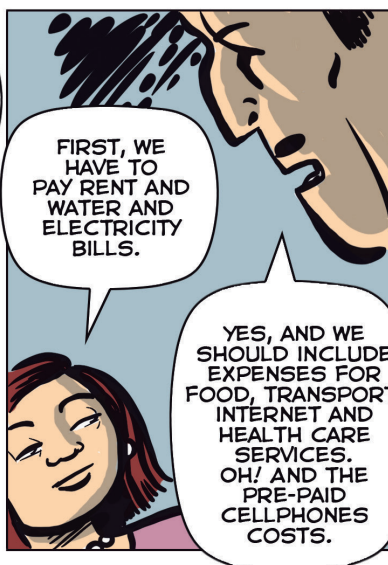
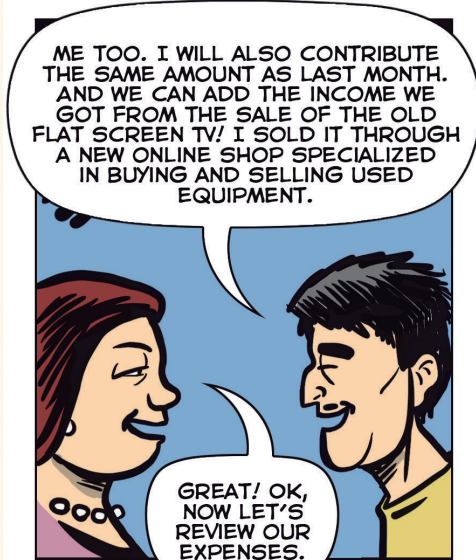
SOLUTION CASE STUDY #3

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

Carlo cannot buy an insurance coverage 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.

Jane

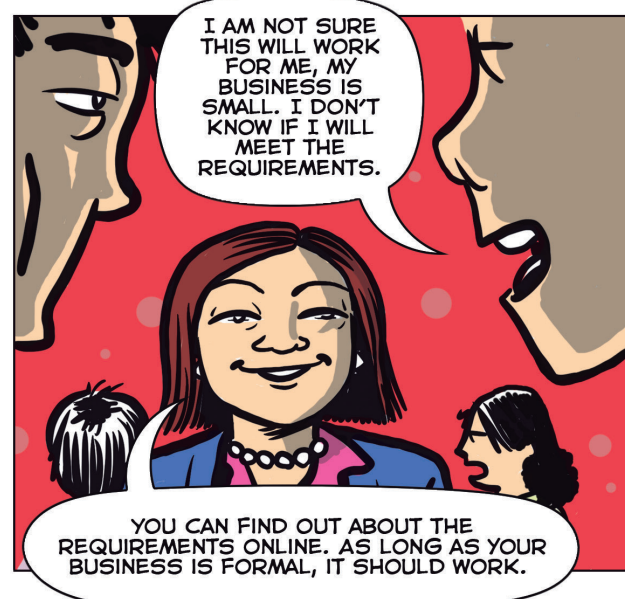
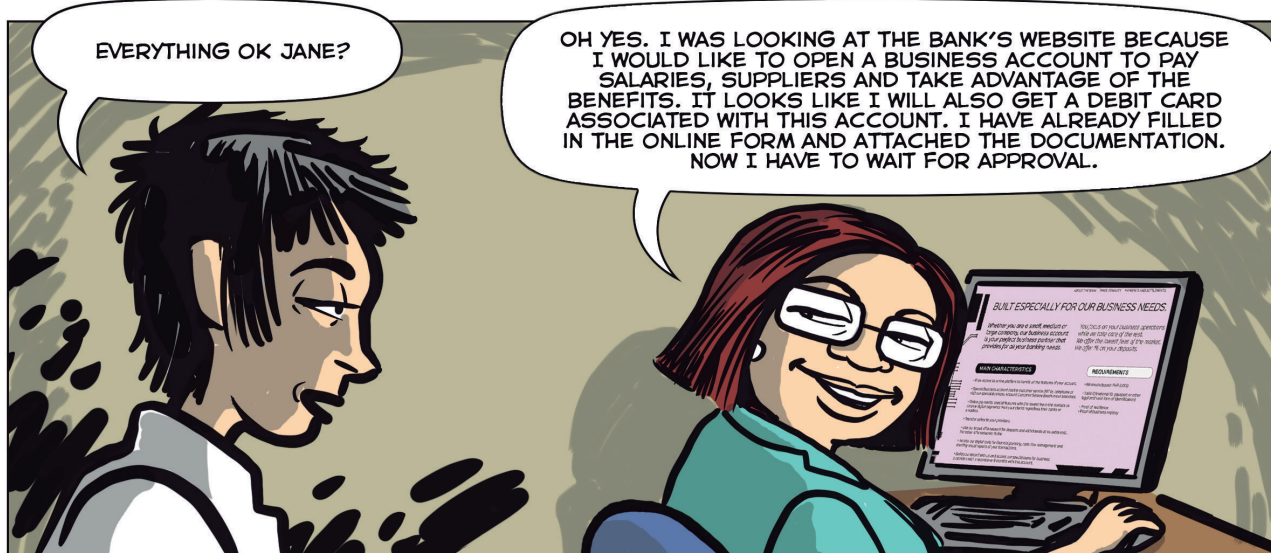


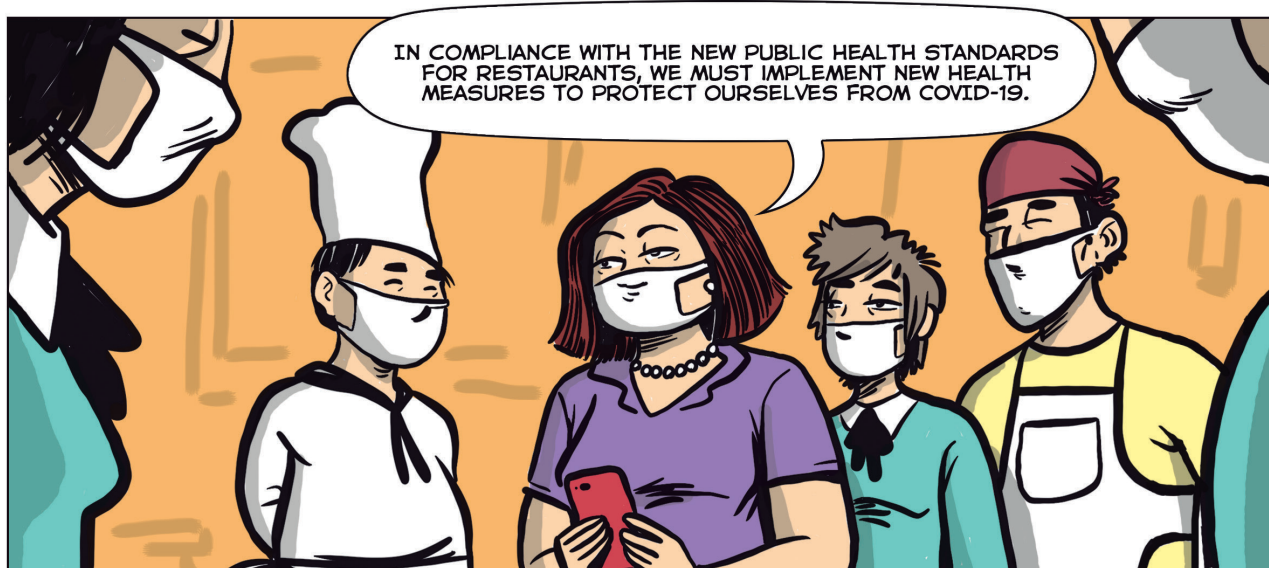


PERSONAL BUDGET	
SOURCE OF INCOME	AMOUNT
Fixed income	
Sub-total fixed income	
Variable income	
Income from food sales at the restaurant	PHP 18,000
Income from catering service	PHP 12,000
Sub-total variable income	PHP 30,000
TOTAL INCOME	PHP 48,000
EXPENSES	
Essential expenses (needs)	
Food	PHP 12,000
Rent	PHP 3,000
Electricity and other services	PHP 2,000
Salaries / wages	PHP 10,000
Travels	PHP 3,000
Suppliers	PHP 10,000
Cleaning materials	PHP 1,000
Sub-total (needs)	PHP 41,000
Optional expenses (wants)	
Design of a digital menu and QR code	PHP 1,000
Sub-total (wants)	PHP 1,000
Total Expenses	PHP 42,000

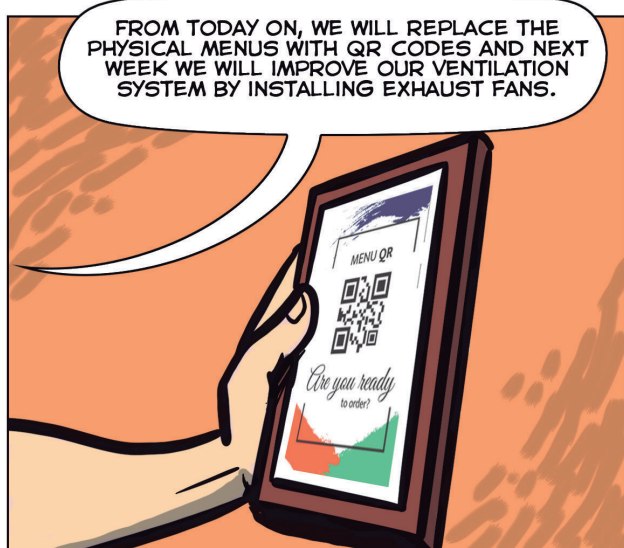
PERSONAL BUDGET	
SOURCE OF INCOME	AMOUNT
Fixed income	
Salary from the restaurant	PHP 21,000
Sub-total fixed income	PHP 21,000
Variable income	
Sub-total variable income	
TOTAL INCOME	PHP 21,000
EXPENSES	
Essential expenses (needs)	
Contribution to the family budget:	PHP 14,000
Living kitchen	PHP 2,250
Sub-total (needs)	PHP 16,250
Optional expenses (wants)	
Birthday present	PHP 1,600
New dress	PHP 370
Sub-total (wants)	PHP 1,970
Total Expenses	PHP 18,220
INCOME-EXPENSES	PHP 2,780

FAMILY BUDGET	
SOURCE OF INCOME	AMOUNT
FIXED INCOME	
Maria's income contribution to her family	PHP 14,000
Andres' income contribution to his family	PHP 16,500
Sub-total fixed income	PHP 30,500
VARIABLE INCOME	
Sale of an old flat screen TV	PHP 4,500
Sub-total variable income	PHP 4,500
TOTAL INCOME	PHP 35,000
EXPENSES	
ESSENTIAL EXPENSES (NEEDS)	
Rent	PHP 11,000
Electricity and water	PHP 3,600
Food	PHP 6,400
Transport	PHP 900
Health care services	PHP 1,500
Mobile phone cards and internet	PHP 2,600
Sub-total (needs)	PHP 26,500
OPTIONAL EXPENSES (WANTS)	
Liza's tablet	PHP 5,600
Sub-total (wants)	PHP 5,600
TOTAL EXPENSES	PHP 32,100
INCOME-EXPENSES	PHP 2,900

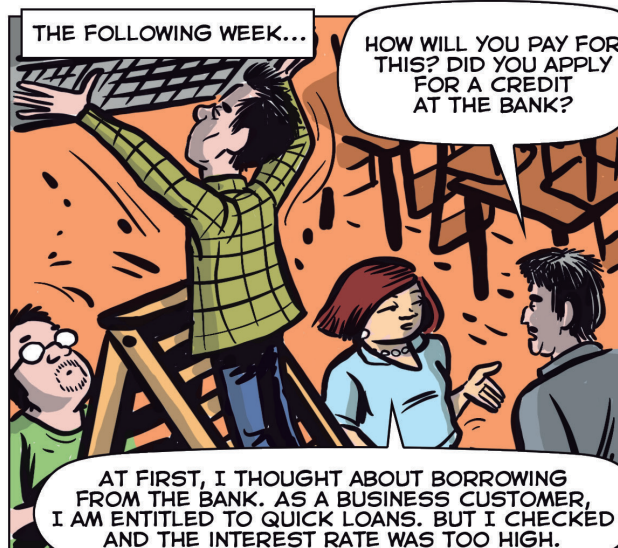




IN COMPLIANCE WITH THE NEW PUBLIC HEALTH STANDARDS FOR RESTAURANTS, WE MUST IMPLEMENT NEW HEALTH MEASURES TO PROTECT OURSELVES FROM COVID-19.



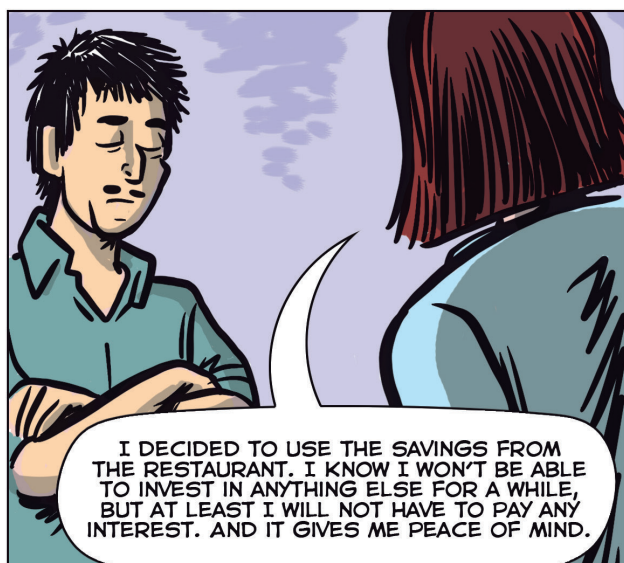
FROM TODAY ON, WE WILL REPLACE THE PHYSICAL MENUS WITH QR CODES AND NEXT WEEK WE WILL IMPROVE OUR VENTILATION SYSTEM BY INSTALLING EXHAUST FANS.



THE FOLLOWING WEEK...

HOW WILL YOU PAY FOR THIS? DID YOU APPLY FOR A CREDIT AT THE BANK?

AT FIRST, I THOUGHT ABOUT BORROWING FROM THE BANK. AS A BUSINESS CUSTOMER, I AM ENTITLED TO QUICK LOANS. BUT I CHECKED AND THE INTEREST RATE WAS TOO HIGH.

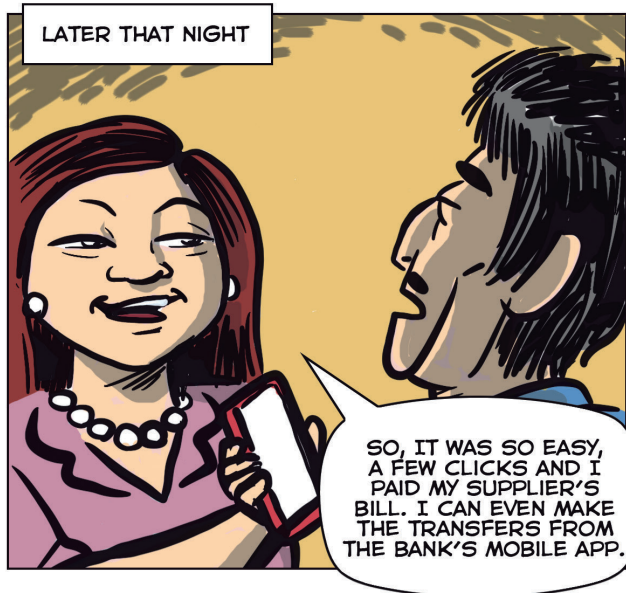
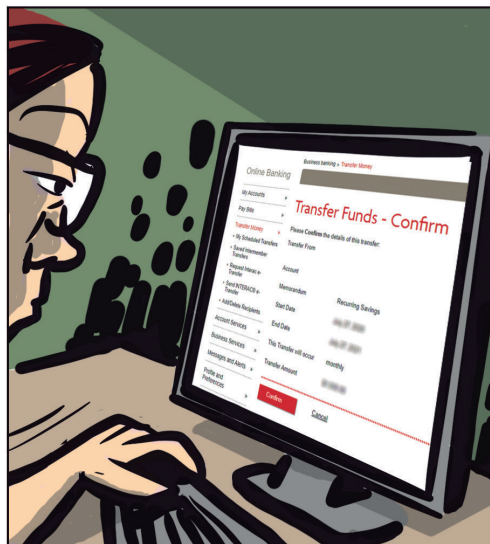
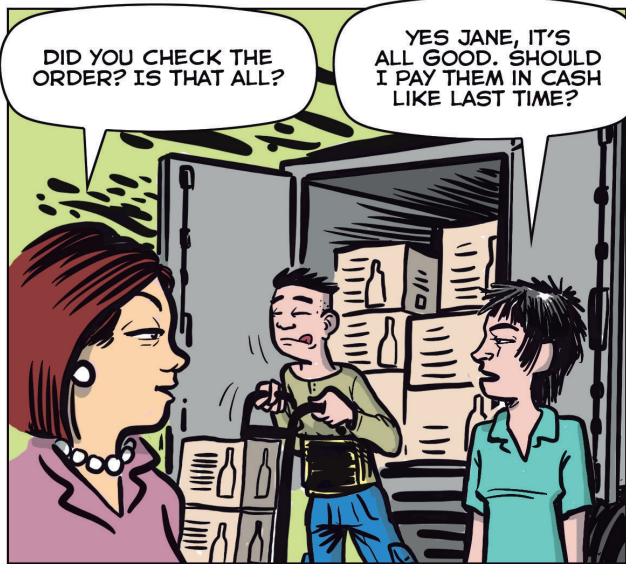


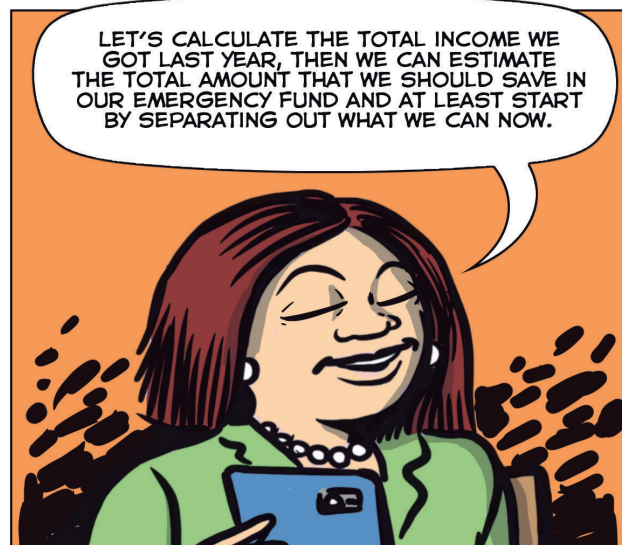
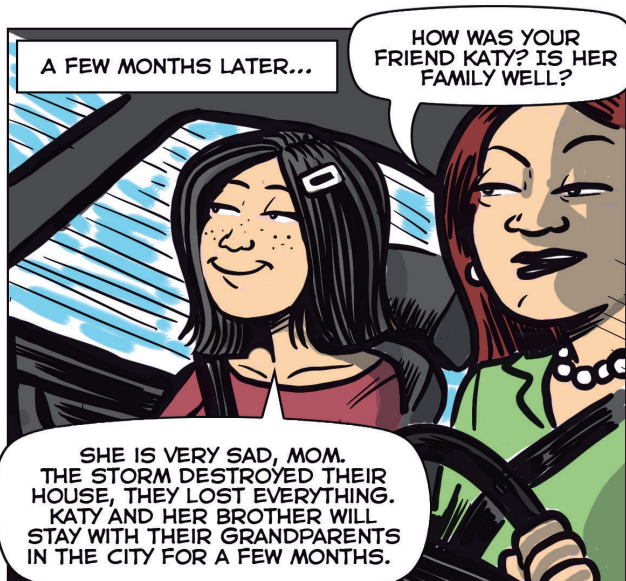
I DECIDED TO USE THE SAVINGS FROM THE RESTAURANT. I KNOW I WON'T BE ABLE TO INVEST IN ANYTHING ELSE FOR A WHILE, BUT AT LEAST I WILL NOT HAVE TO PAY ANY INTEREST. AND IT GIVES ME PEACE OF MIND.



I'LL SEND YOU THE MONEY RIGHT AWAY... JUST GIVE ME A SECOND... DONE!

OH YES, ALREADY IN MY ACCOUNT. I GOT THE NOTIFICATION FROM THE BANK ABOUT THE TRANSFER. THANK YOU!





Carlo

I'M SO TIRED TODAY! BUT IT WOULD BE GREAT IF WE COULD DO OUR SAVINGS PLAN. I HAVE MANY GOALS FOR OUR BUSINESS, STARTING WITH ADDING AN ONLINE SHOP TO OUR COMPANY WEBSITE.



I SAY WE START WITH A SUBSCRIPTION TO AN ECOMMERCE PLATFORM AND SEE HOW SALES ARE GOING. IF IT ALL WORKS OUT, WE COULD THEN FOCUS ON BUILDING A NICE WEBSITE, DON'T YOU THINK?

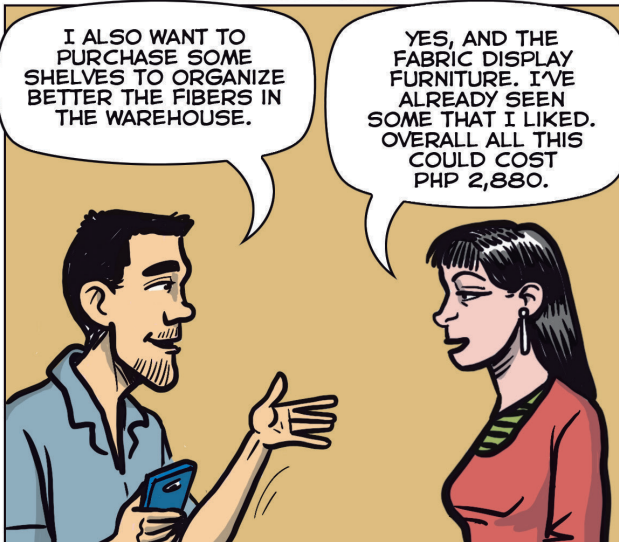
YOU ARE RIGHT! FROM WHAT I'M LOOKING AT, THERE IS A GOOD PROVIDER WITH A SPECIAL OFFER AT PHP 12,240. THERE IS EVEN A 20% DISCOUNT IF WE REFER SOMEONE.



OK, I'LL WRITE IT DOWN WITH THE DISCOUNT AND I'LL TRY TO CONVINCE SOMEONE IN THE BUSINESS ASSOCIATION.

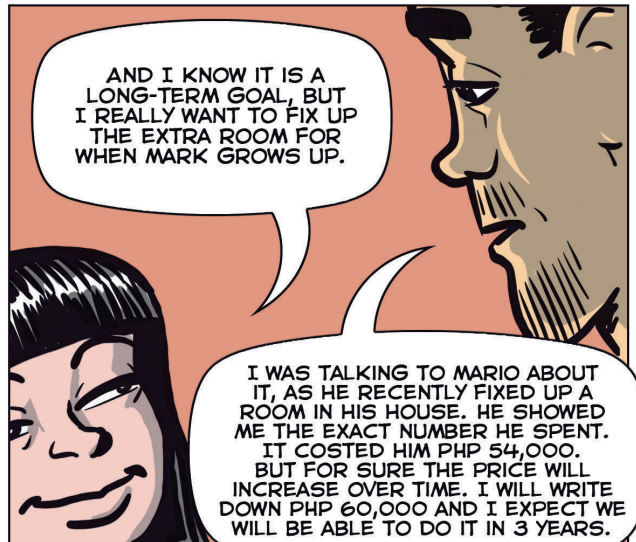
I ALSO WANT TO PURCHASE SOME SHELVES TO ORGANIZE BETTER THE FIBERS IN THE WAREHOUSE.

YES, AND THE FABRIC DISPLAY FURNITURE. I'VE ALREADY SEEN SOME THAT I LIKED. OVERALL ALL THIS COULD COST PHP 2,880.



AND I KNOW IT IS A LONG-TERM GOAL, BUT I REALLY WANT TO FIX UP THE EXTRA ROOM FOR WHEN MARK GROWS UP.

I WAS TALKING TO MARIO ABOUT IT, AS HE RECENTLY FIXED UP A ROOM IN HIS HOUSE. HE SHOWED ME THE EXACT NUMBER HE SPENT. IT COSTED HIM PHP 54,000. BUT FOR SURE THE PRICE WILL INCREASE OVER TIME. I WILL WRITE DOWN PHP 60,000 AND I EXPECT WE WILL BE ABLE TO DO IT IN 3 YEARS.

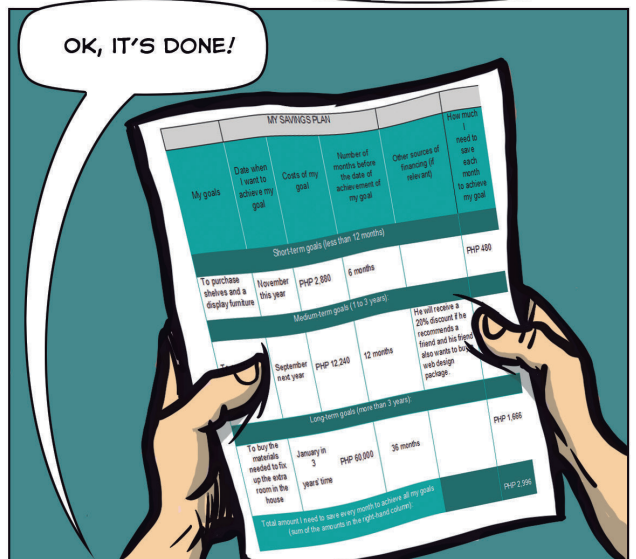


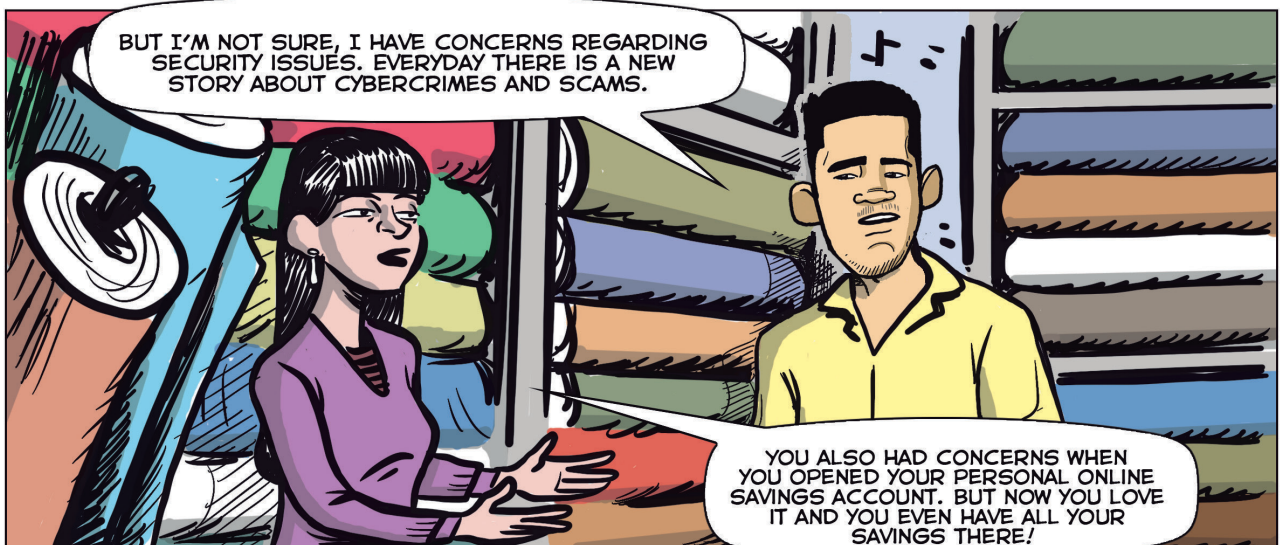
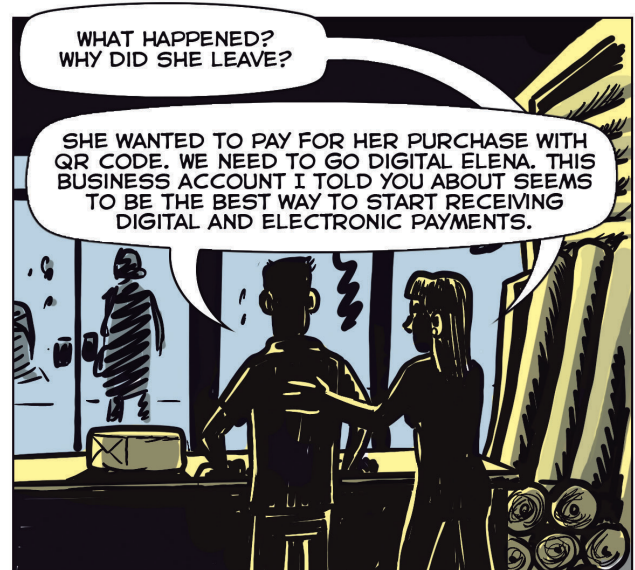
AND WHAT ABOUT THE LAPTOP? YOU SAID YOU NEEDED IT TO TAKE ONLINE TRAINING COURSES.

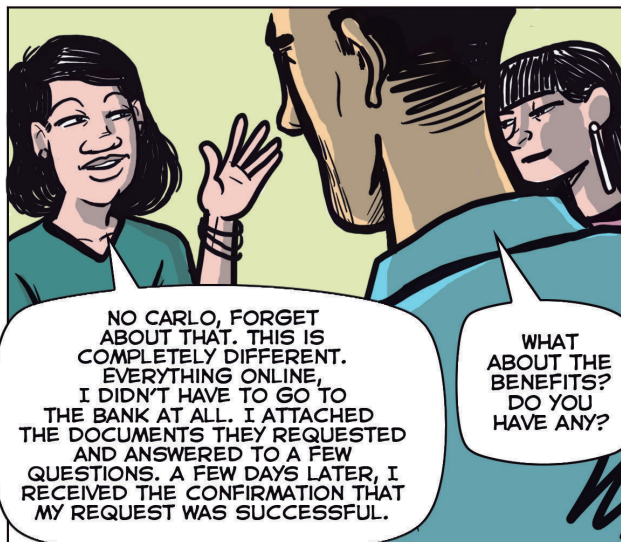
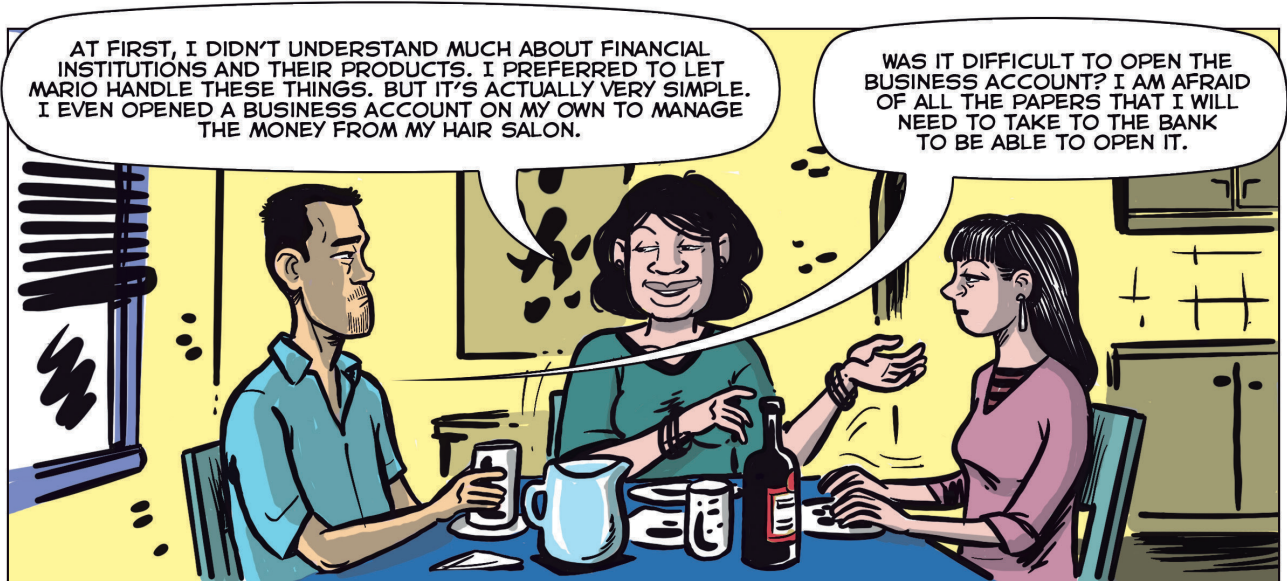
I KNOW, BUT THEY ARE QUITE EXPENSIVE FOR US. MAYBE LATER ON.

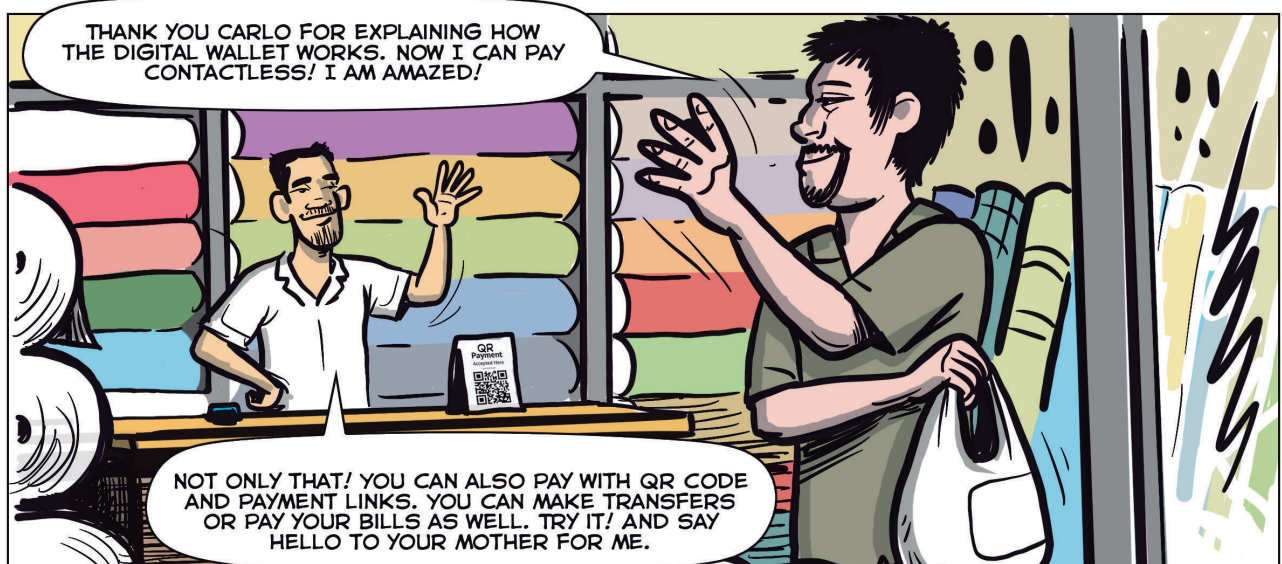
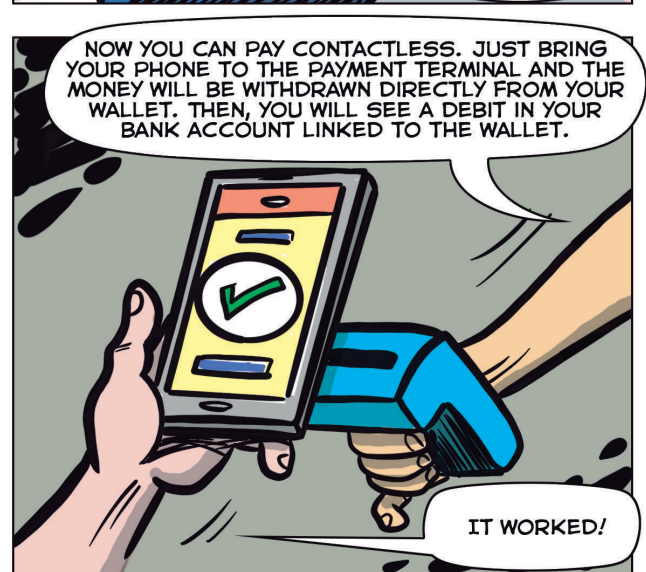
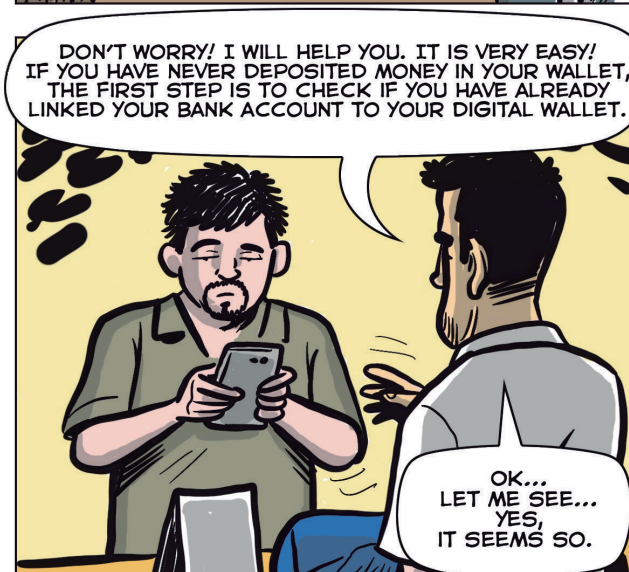
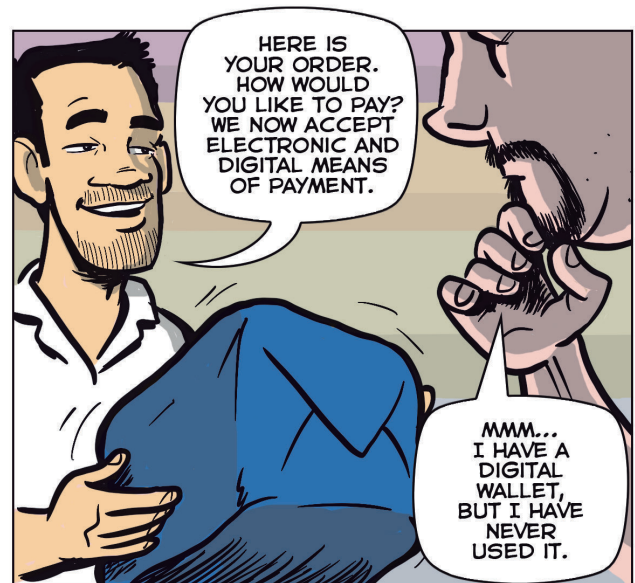
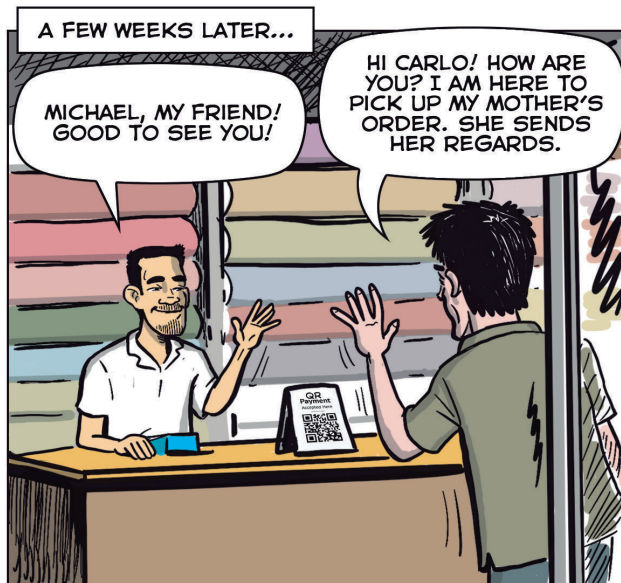


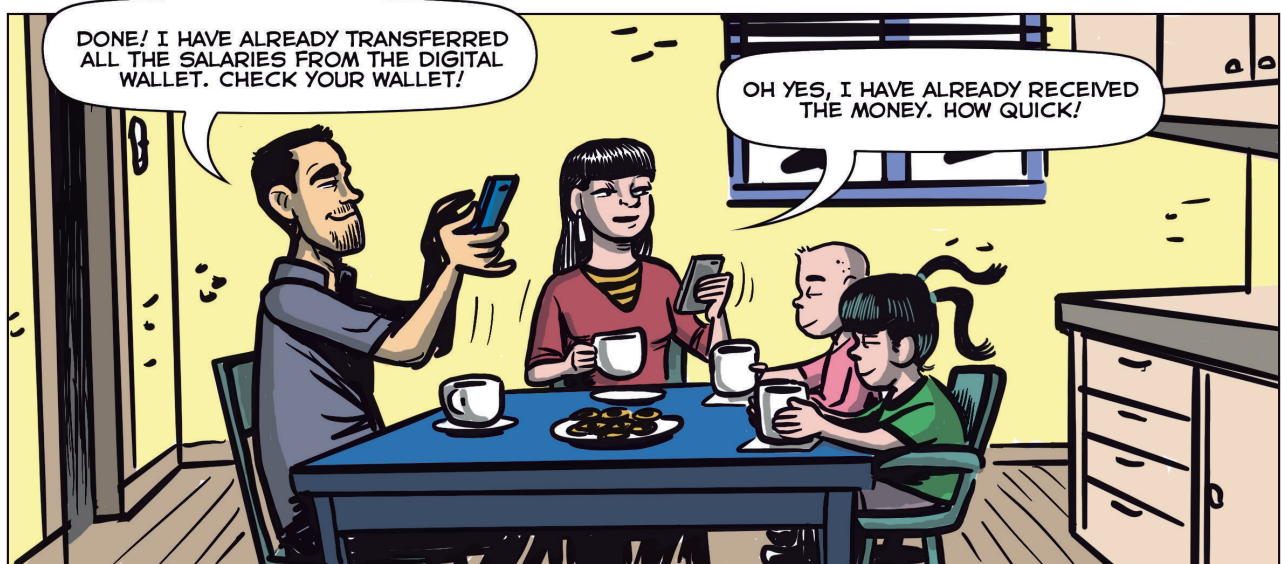
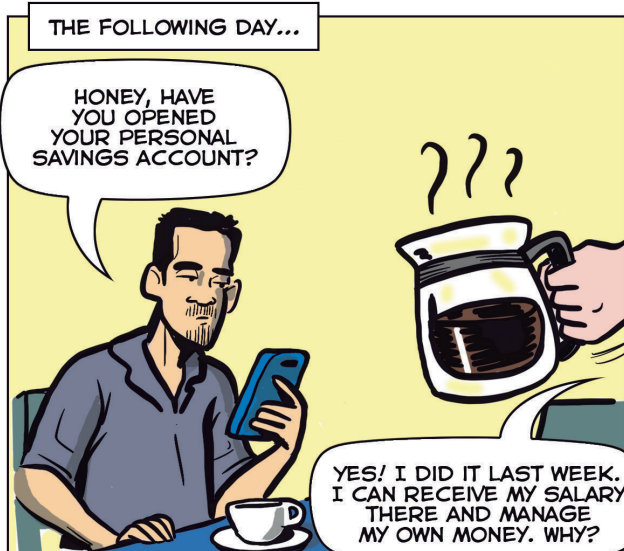
OK, IT'S DONE!



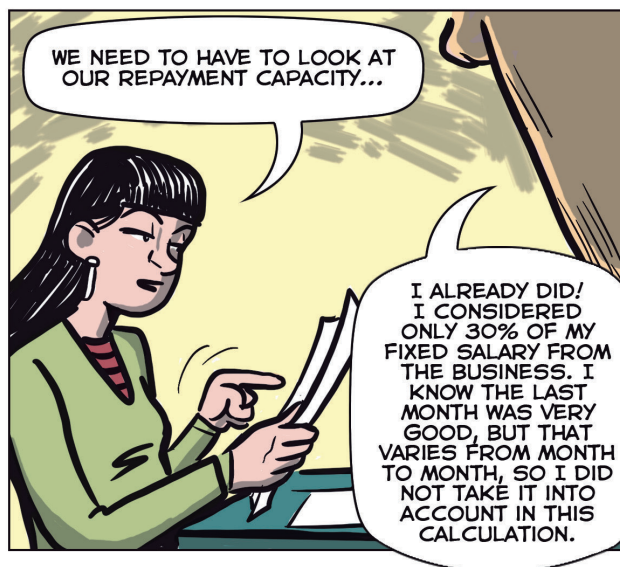
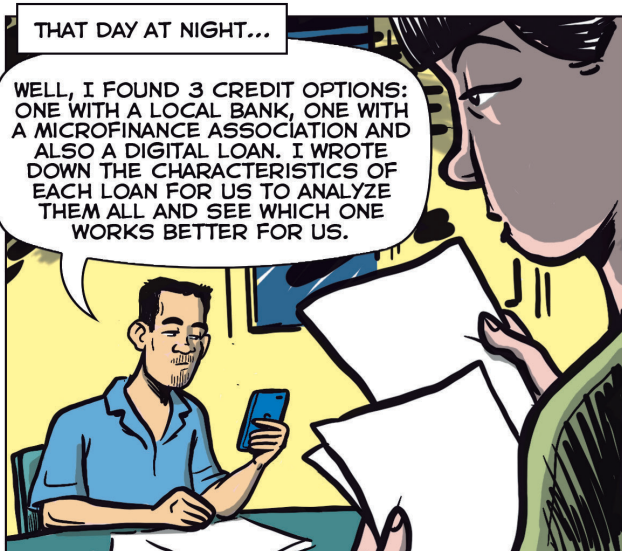




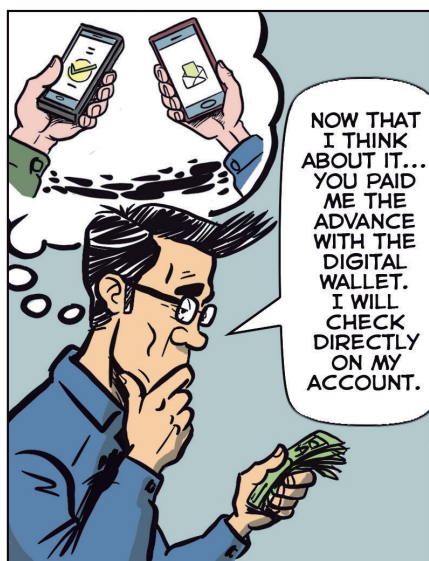
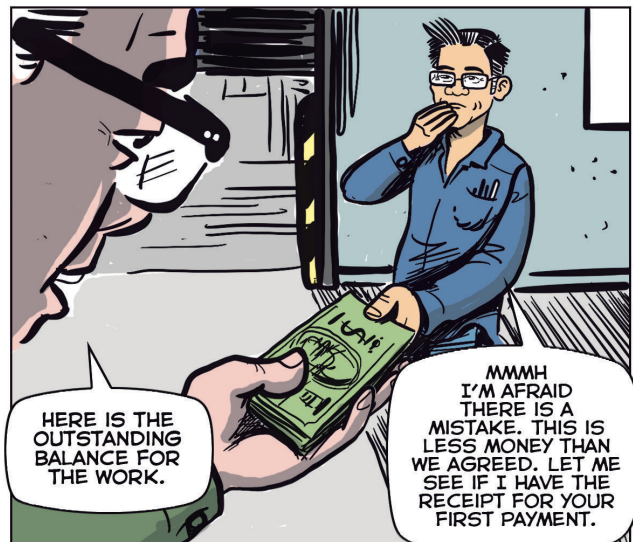
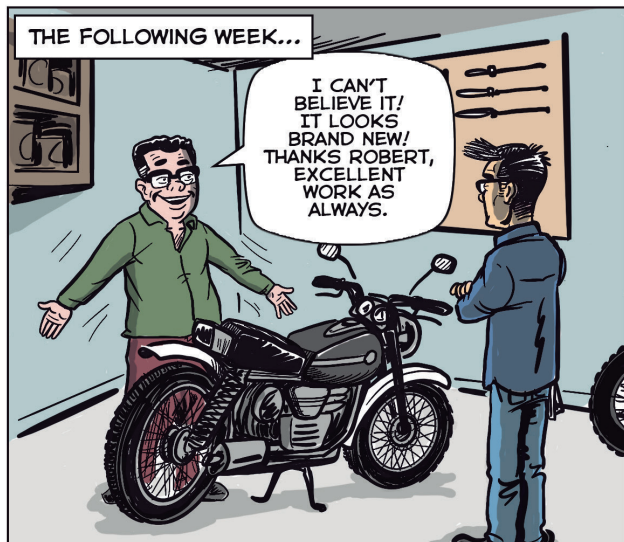
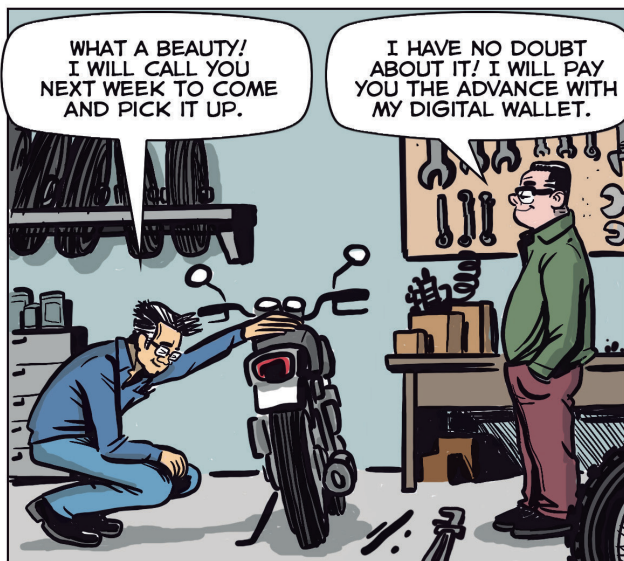


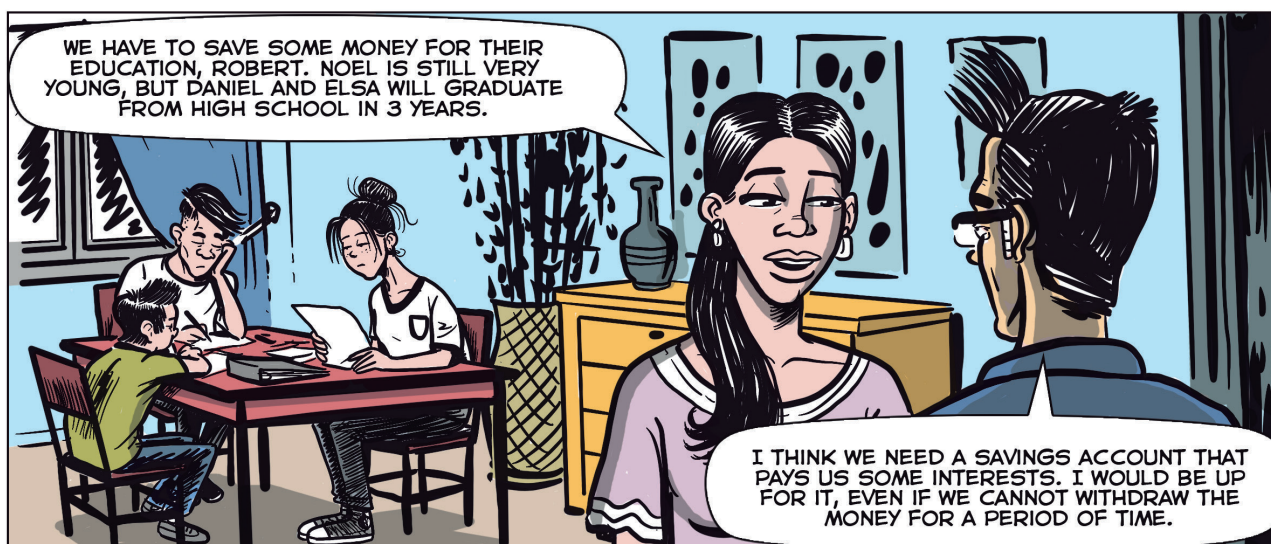


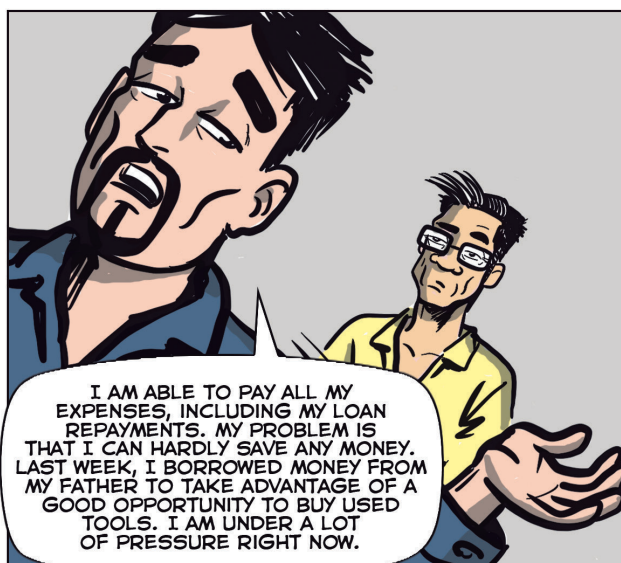
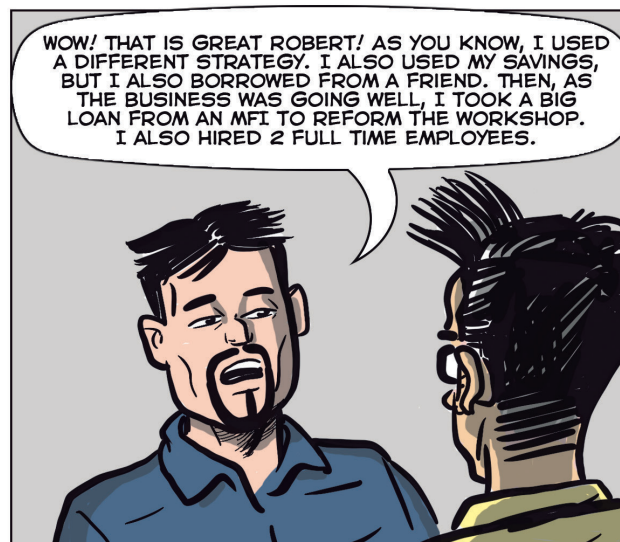
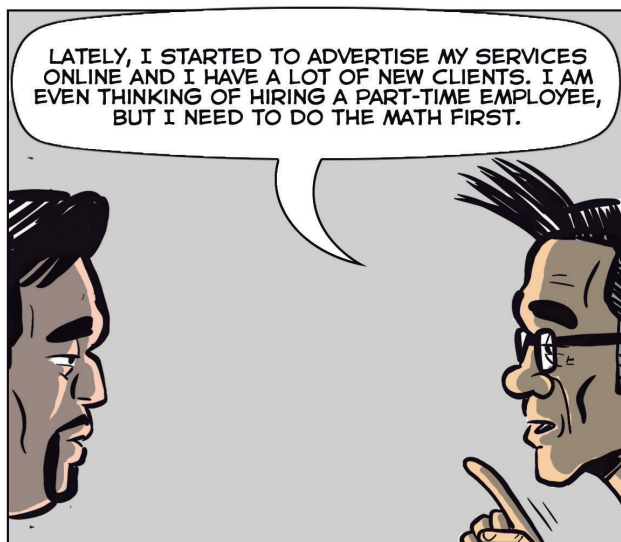
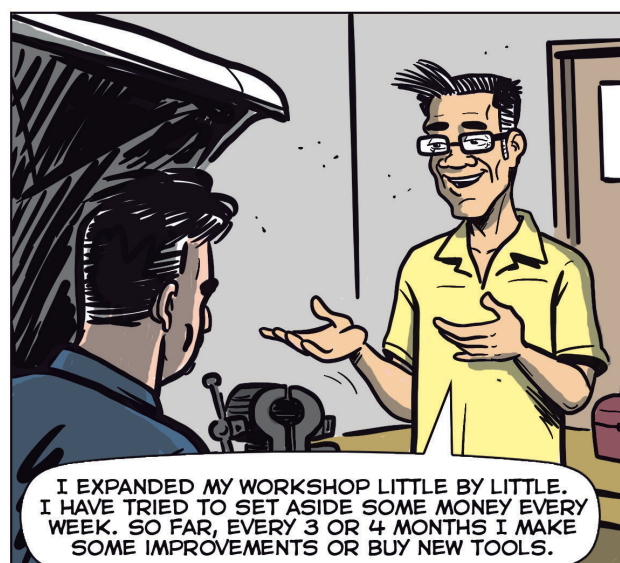
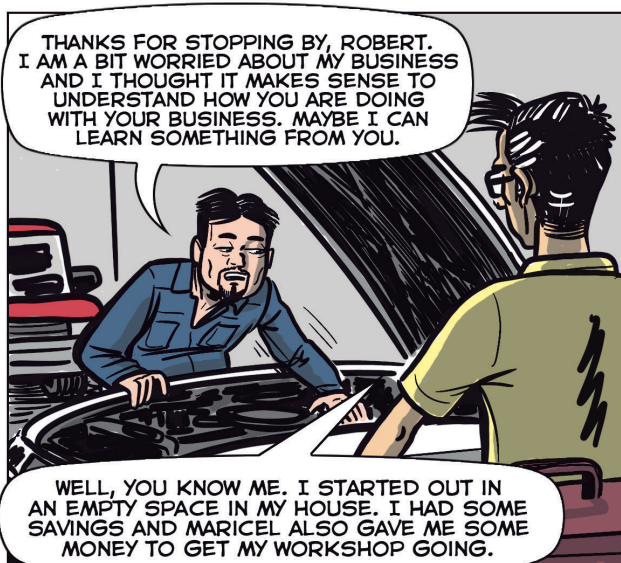
A FEW MONTHS LATER...

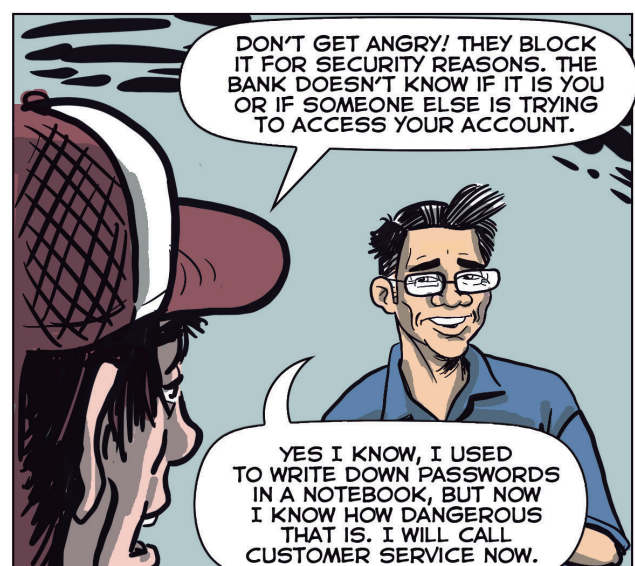
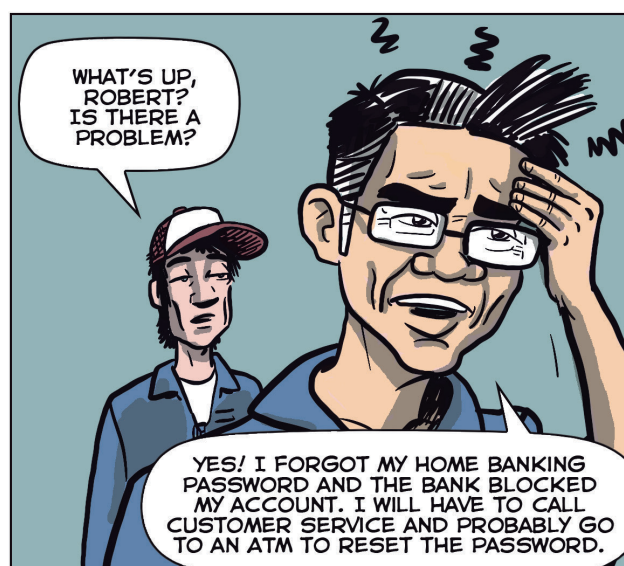
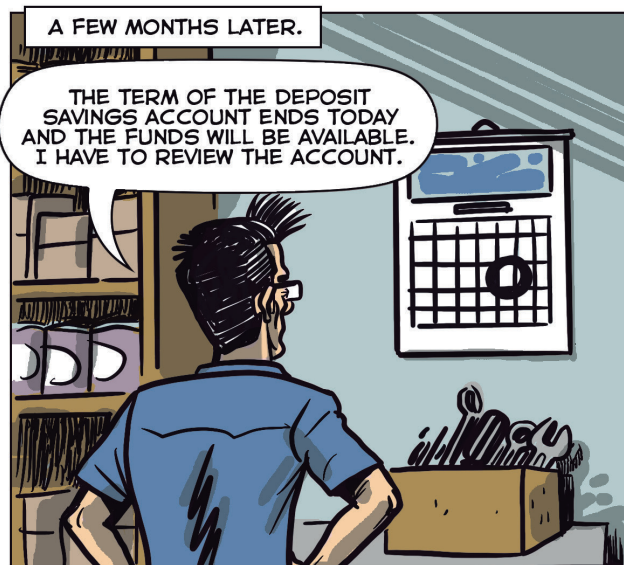


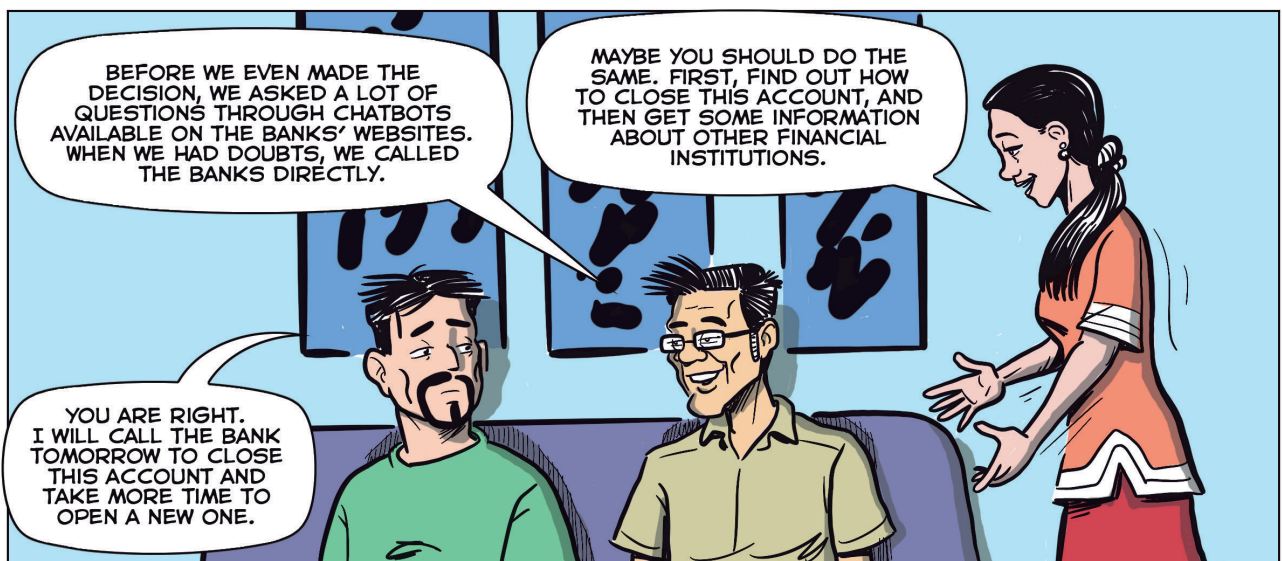
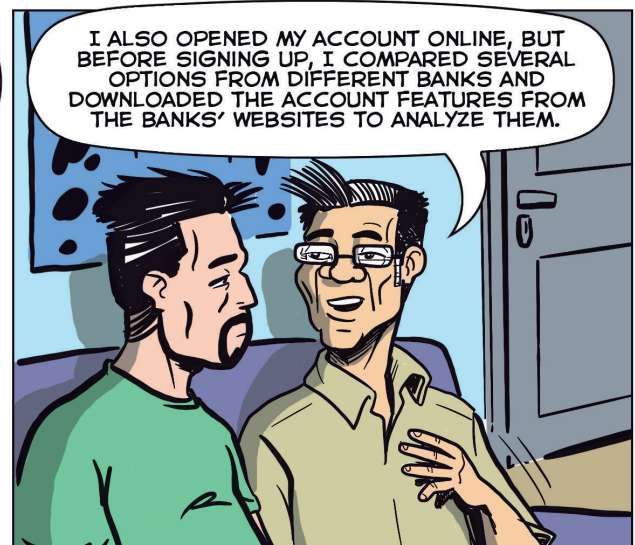
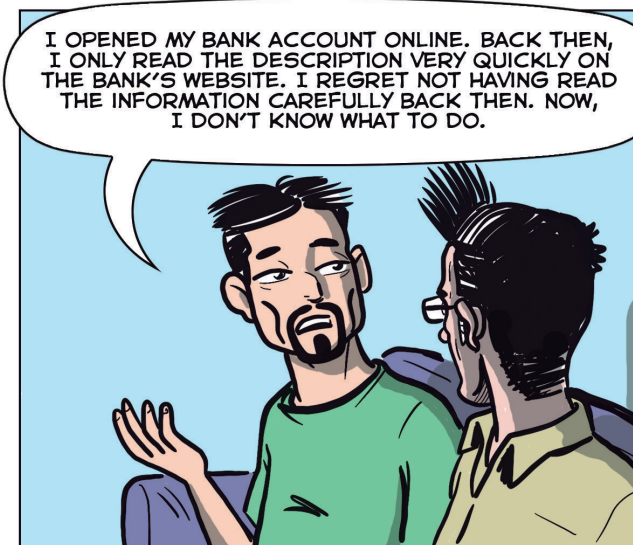
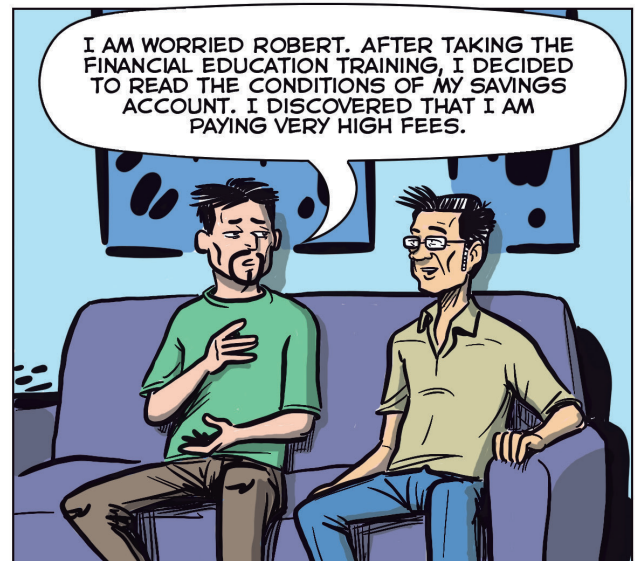
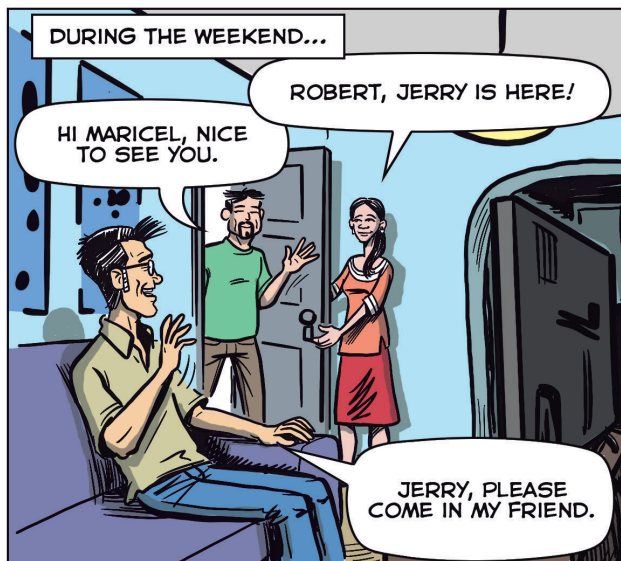
Robert

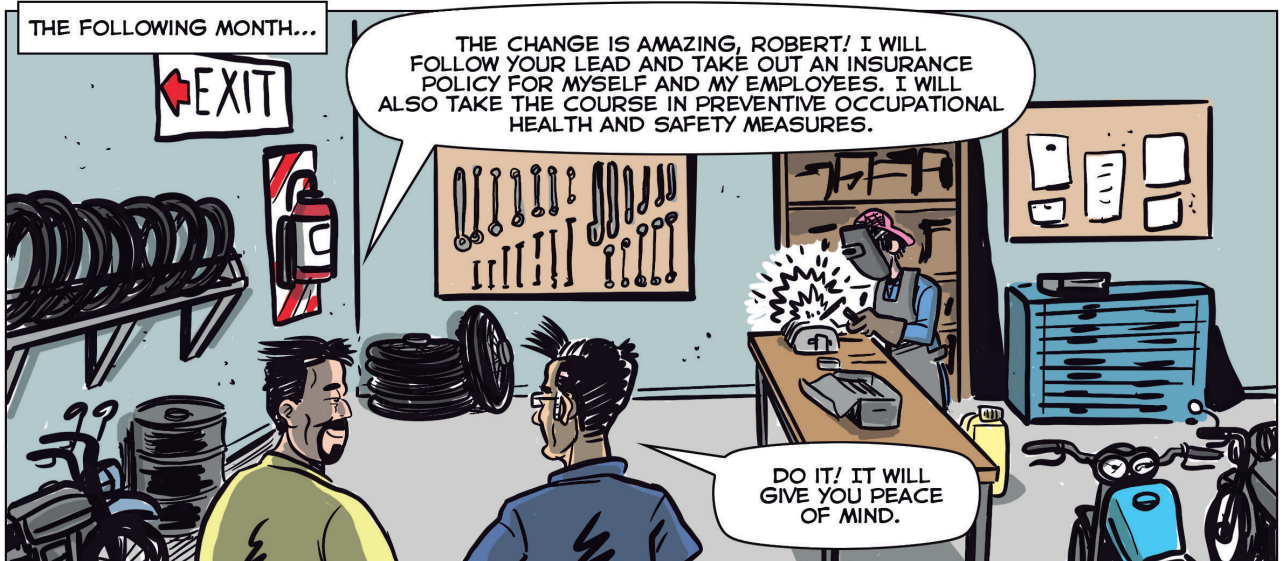
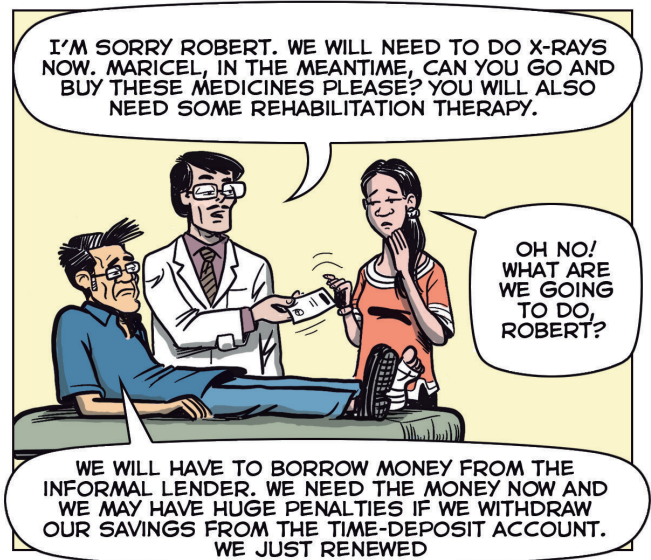
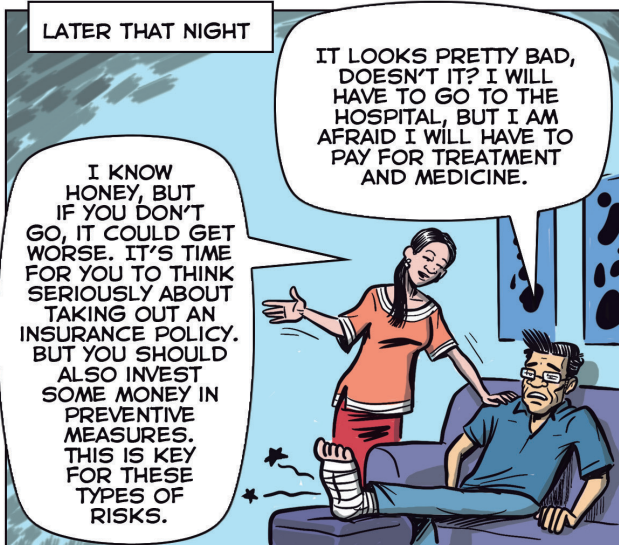


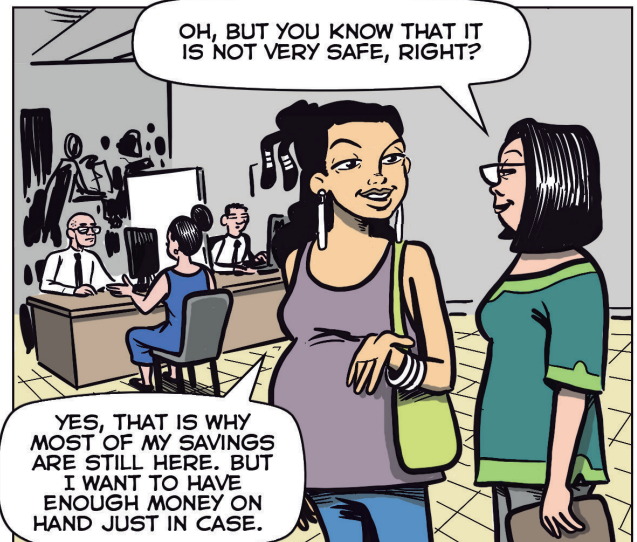
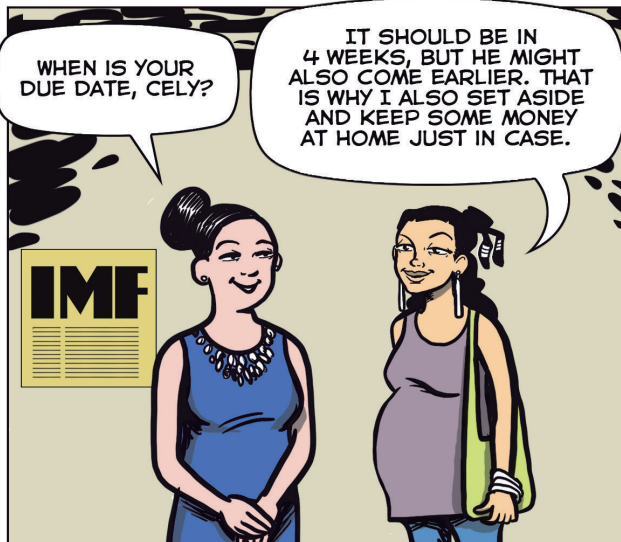


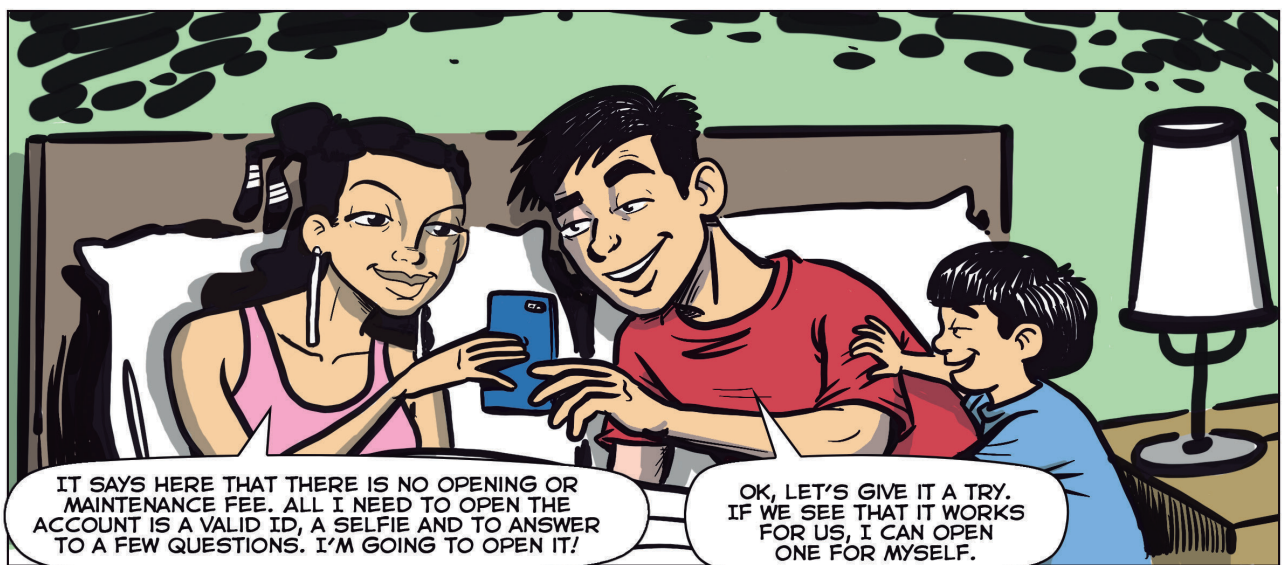
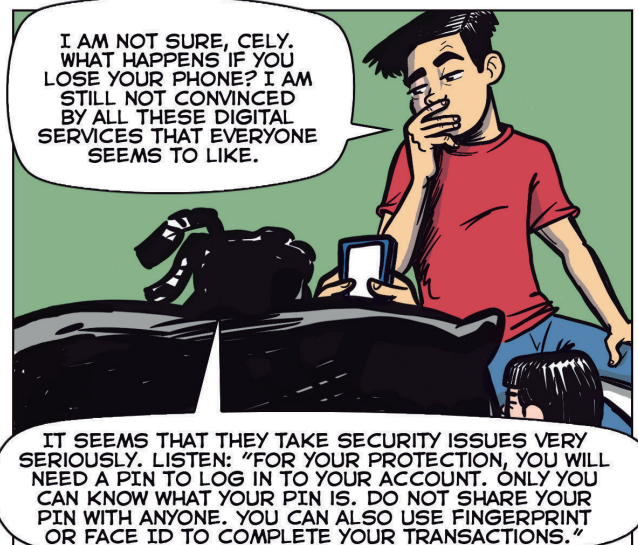
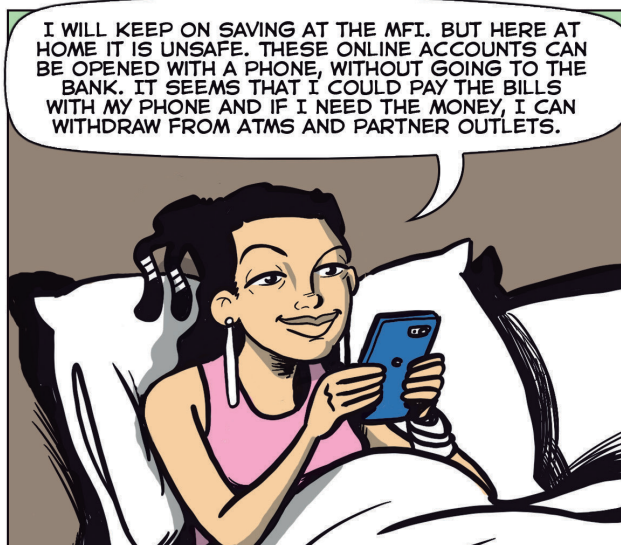
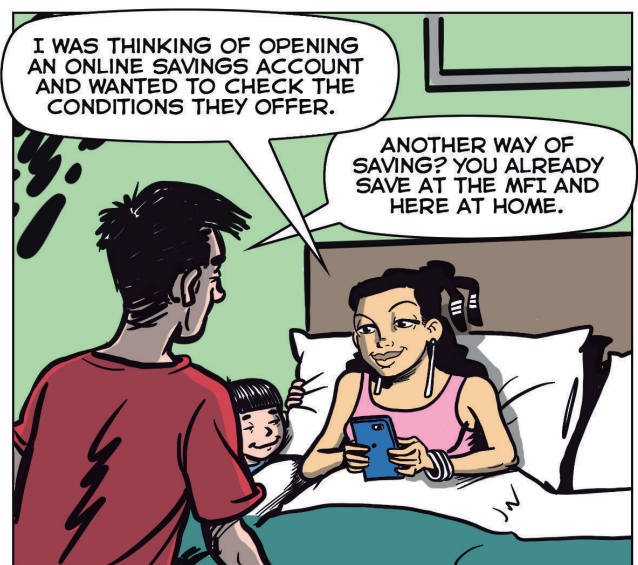
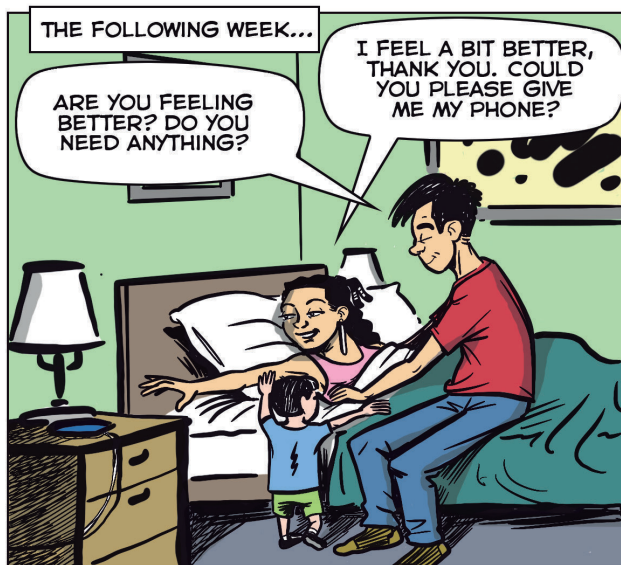


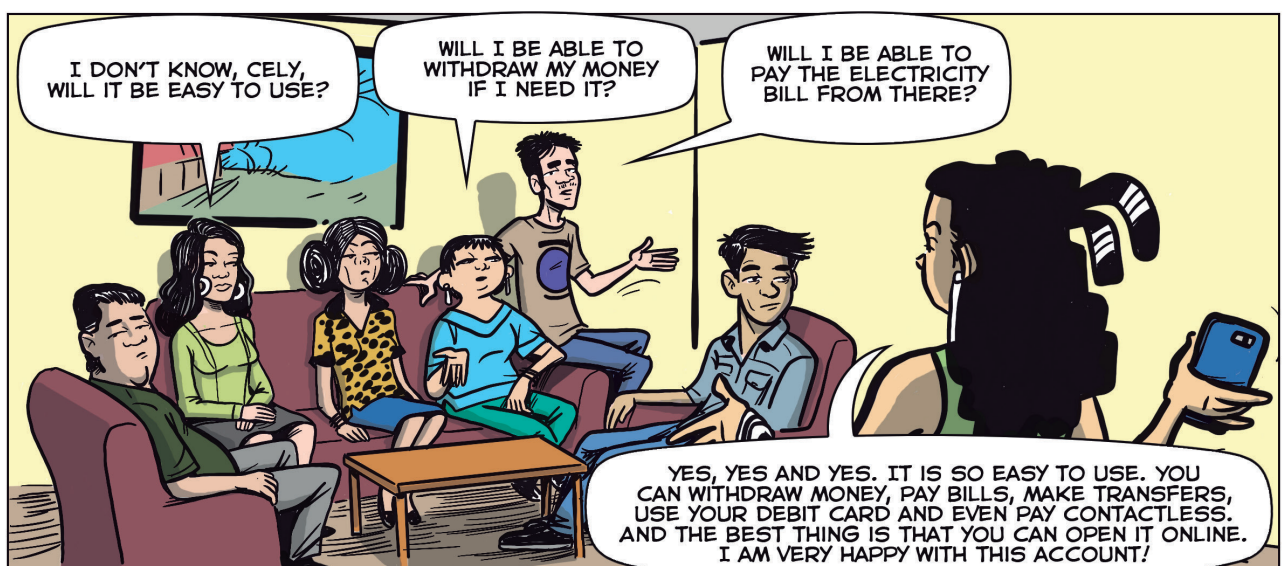
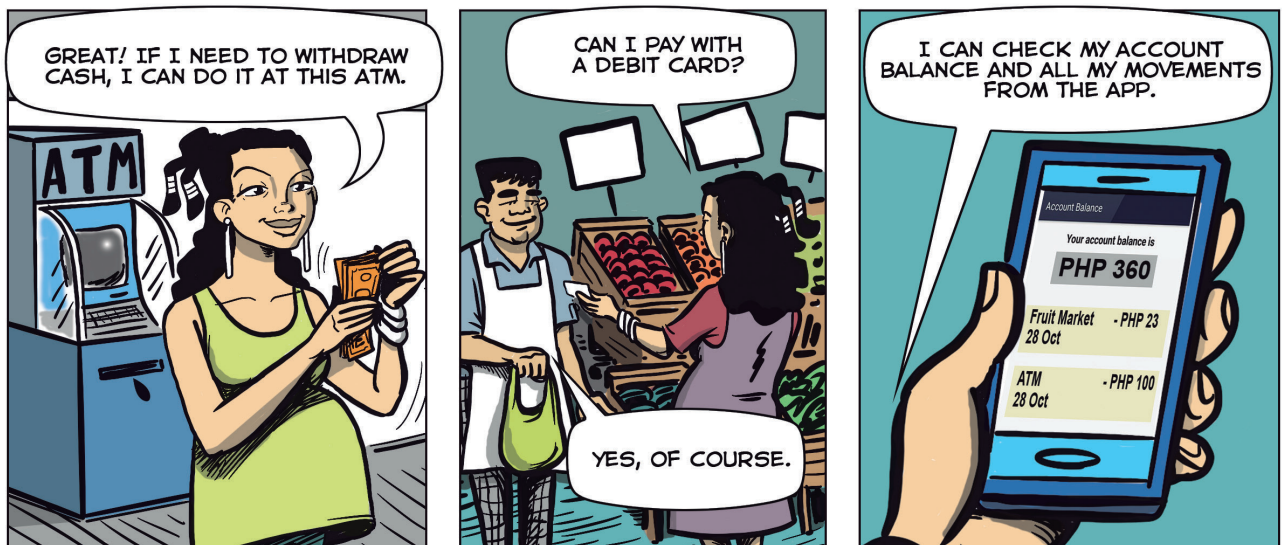
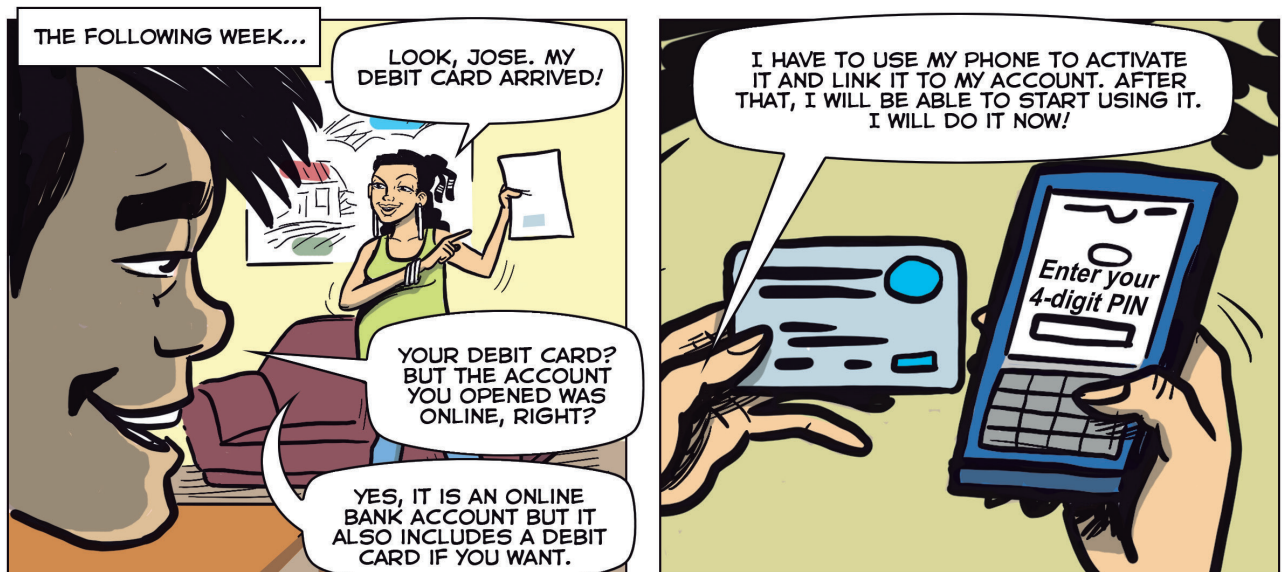


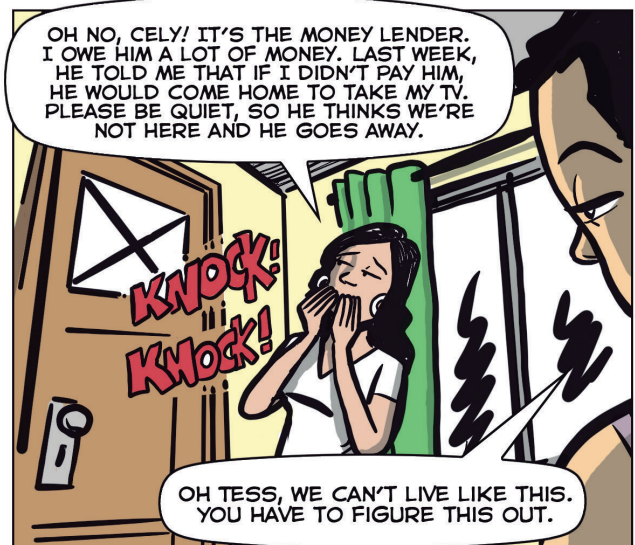
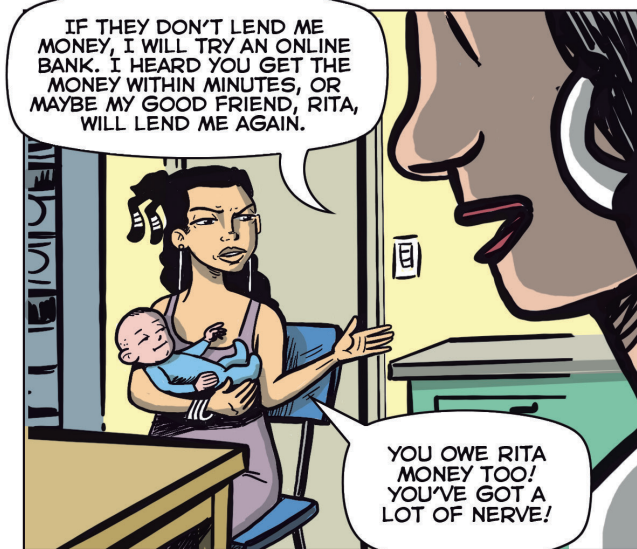
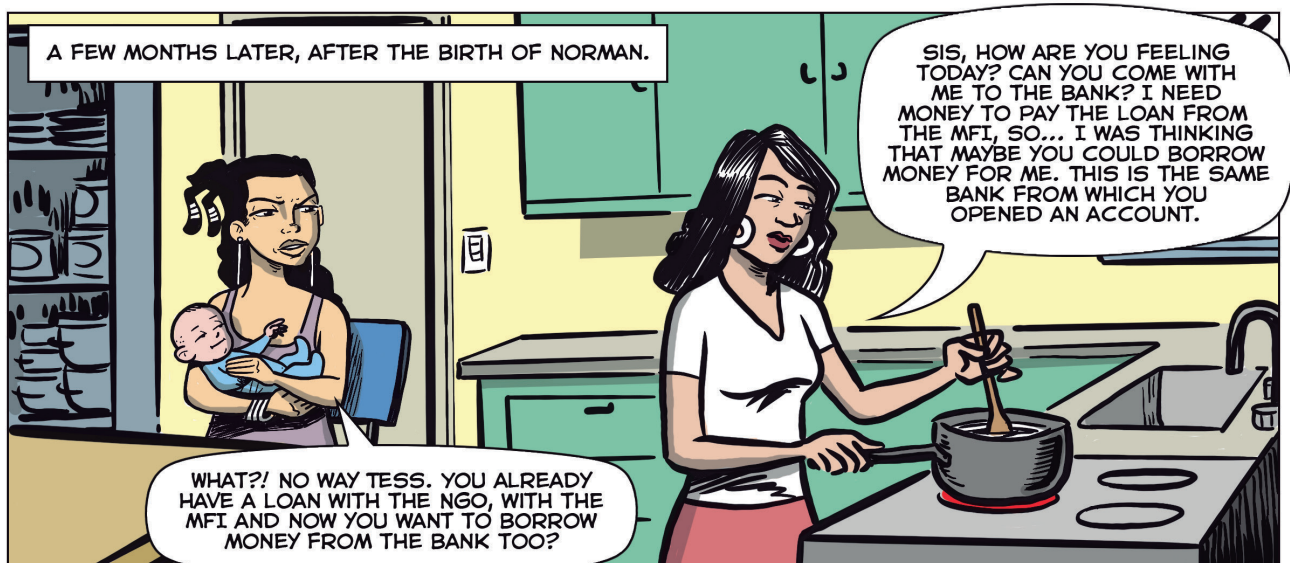


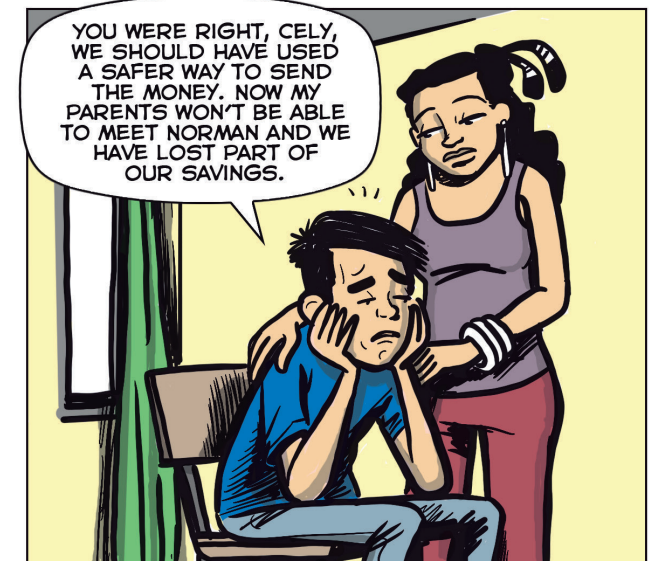
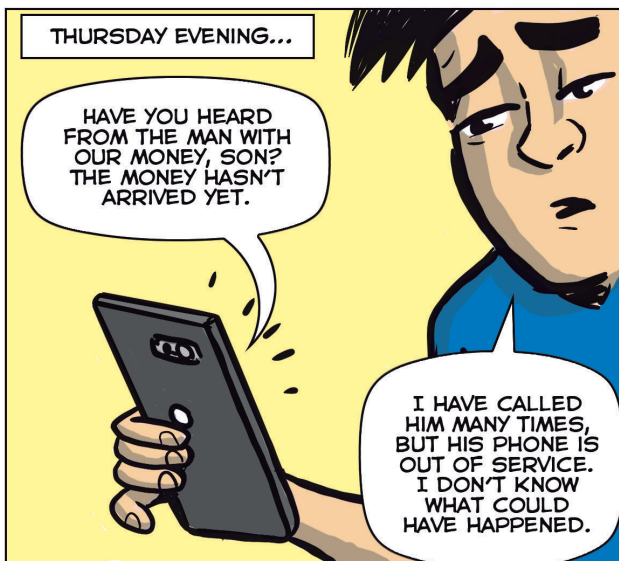
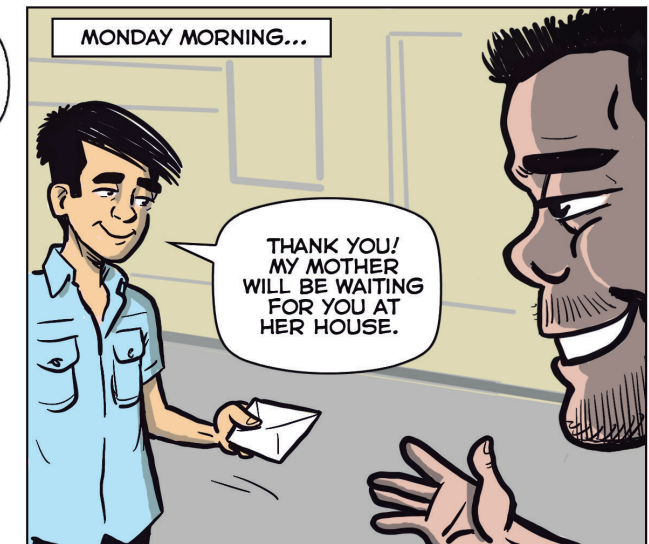
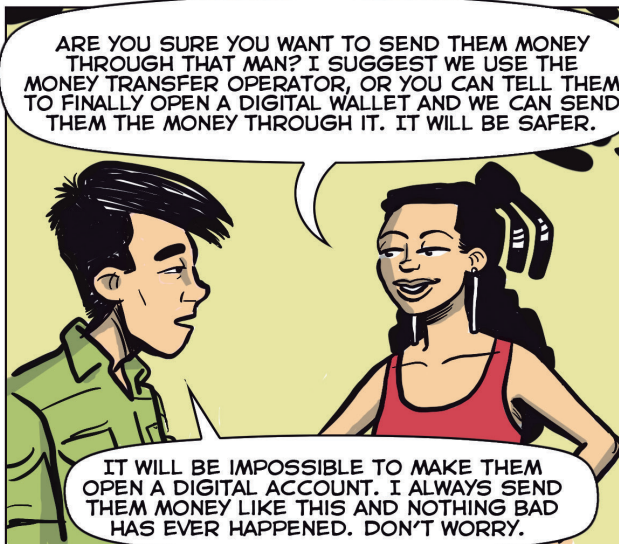


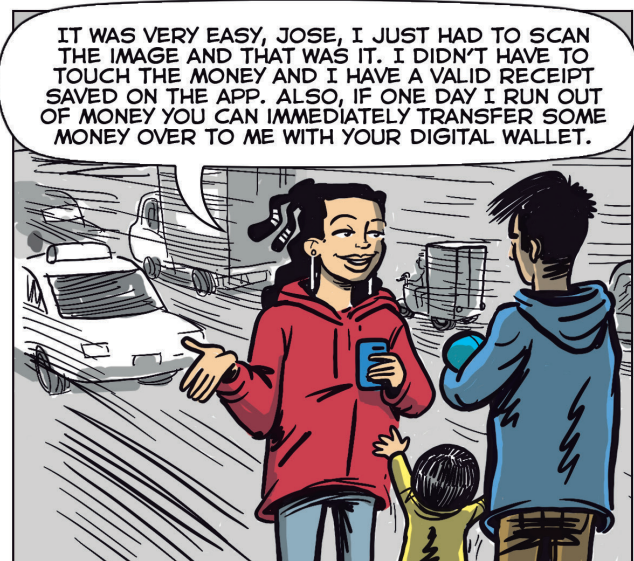
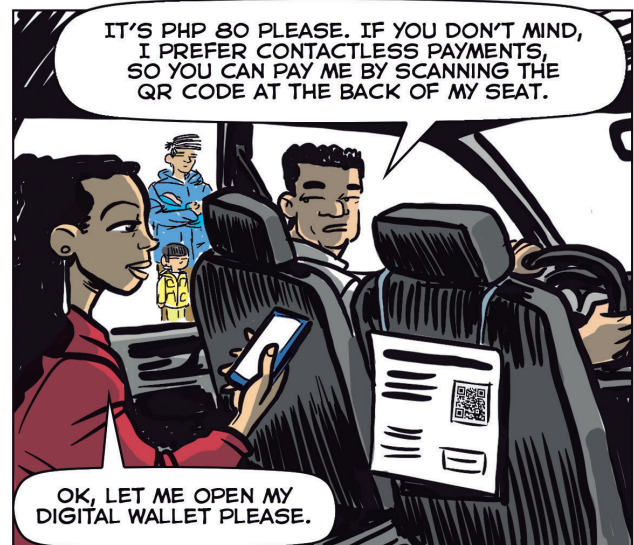
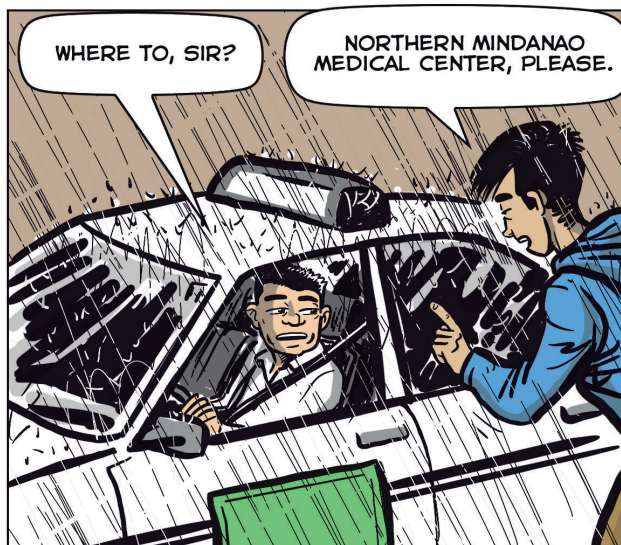












DEFINITIONS

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

Notes

Notes

TRAINEE'S BOOKLET

ILO FINANCIAL EDUCATION

TRAINEE'S BOOKLET FOR MICRO, SMALL AND INFORMAL BUSINESSES

This Trainee's booklet was developed in the framework of the "Bringing Back Jobs Safely under COVID-19 Crisis in the Philippines: Rebooting Small and Informal Businesses Safely and Digitally" project. This project is implemented by the International Labour Organization (ILO) and the Government of Japan in collaboration with the Department of Labor and Employment, Department of Trade and Industry, Department of Information and Communications Technology and the National Anti-Poverty Commission.

This ILO Financial Education Trainee's booklet primarily targets MSMEs and informal business owners 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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International
Labour
Organization



From
the People of Japan