

Welcome

Scenario

01

Kamani:

“The loan interest rate at the Sarana society is 22%. The loan interest at Diriya Society is 16%. So I borrowed Rs. 15 000 from the Diriya Society. My friend Varuni borrowed Rs. 10 000 from the Sarana Society. However, Varuni’s loan instalment is less than mine.

Did the loan officer make a mistake?”

Mishap 02



I put my savings here as they give the highest return. I plan to buy a vehicle next year. You should save here too.

Great idea! I will also save there.



6 MONTHS LATER



Hey! The place you told me to save money at is no longer open. Oh God! I have lost my savings.



*Conditions apply

Financial Literacy

Ignorance



A background image featuring a pair of black-rimmed glasses resting on a financial document. The document includes a green circular gauge showing 62%, a bar chart with a blue bar labeled 'Twelve', and a line graph with a red line. Several stacks of gold coins are placed on the document. A black calculator with a green '+' button and a silver pen are also visible. The text 'Financial Literacy' is overlaid in large blue font.

Financial Literacy

Financial literacy is

Your knowledge and skills on all financial activities including,



Identify revenue streams



Spend prudently



Save securely



Obtain loans that suit your needs



Invest wisely

Financial literacy is a tool that can help you and your family secure a better future



Investing in financial literacy helps
secure a better tomorrow

At the end of the training you will know:

Training objectives

- The importance of financial literacy
- The importance of investing wisely
- New trends in financial services
- How to protect yourself when making financial decisions
- How to manage your income and expenditure
- How to save money successfully
- How to make informed loan choices

Session content

What is financial literacy?

Identifying income, expenditure and their management

How to save safely

Introduction to different types of loans

Calculation of loan interest

Protecting yourself during financial transactions

Let's improve our financial management



At the end of this session you will understand

- | The importance of planning to manage your income and expenditures
- | The benefits of investing wisely

Income and Expenditure Management Game



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Language
සිංහල ▾



ඉදිරියට

Income

- Identifying sources of income
- Correctly calculating income earned
- Identifying alternative income streams
- Continuously review

Expenditure

- Identify your expenses
- Distinguish between essential and non-essential expenditure
- Be prudent when planning your expenses
- Manage your expenses accordingly
- Cut down unnecessary expenses
- Continuously review

Let's record income and expenses

Date	Activity	Income	Expense	End of the day total savings
Day 1	Income			65,000- 24,000
	Salary	65,000		
	Business	-		
	Expenditure			
	Food		19,000	
	School van		5,000	
	Total	65,000	24,000	41,000
Day 2				41,000- 12,200
	Expenditure			
	Leasing instalment		12,000	
	Sweets for kids		200	
	Total		12,200	28,800

**Careful management of your
income and expenditure can
enable investments**



- Make savings a habit
- Start small - start early





A brighter future through investments

Benefits of investing wisely



Ability to achieve financial targets

Improve your financial strength



Develop your businesses

Make your dreams a reality



Become financially independent

Help others



Plan your retirement



Learnings today can lead to better savings tomorrow

At the end of this session on savings, you will be able to

- Choose a suitable organization to save with
- Choose the savings account that is best for you
- Avail the maximum rewards for your savings



Where can you
Save?

Different types of savings institutions

Licensed commercial banks and specialized banks registered with the Central Bank of Sri Lanka

Licensed non-banking financial institutions registered with the Central Bank of Sri Lanka

Rural banks

Cooperative Societies

Samurdhi/Divineguma Banks

Farming societies


Licensed microfinance companies

Licensed non-government micro-finance institutions



What should be considered when selecting an institution for your savings?

When choosing the institution to save at, keep in mind to select one that

 Has a high level of trust

 Is of low risk

 Gives better return

Regulated institutions are the most suitable and safest as they are governed by stricter rules and regulations

Are the organization you
save and your money safe?



If you

Save at an institution that is regulated by the Central Bank of Sri Lanka, your savings are safer

Why?

Because the Central Bank of Sri Lanka regulates and monitors the institutions licensed by them

If you save with banks or financial institutions regulated by the Central Bank of Sri Lanka, your deposit is protected by an insurance amounting up to a maximum of Rs. 1,100,000 on your savings.



Are you looking for a place to save?

Have you seen such advertisements promoting savings?

Bank 1

Time duration	03 months	06 months	12 months
Interest Rate (at maturity)	9.00%	9.25%	10.00%
Annual Effective Interest Rate	9.30%	9.46%	10.00%

Bank 2

Time duration	03 months	06 months	12 months	18 months
Interest Rate (at maturity)	9.25%	9.75%	11.50%	11.50%
Annual Effective Interest Rate	9.58%	9.99%	11.50%	11.19%

What bank you will choose for a Fixed deposit of 3 months, 6 months and 12 months?

Provide reasons for your selections

**Things to consider
before deciding to save**

Stability of the place you choose to save at

Annual Effective Interest Rate

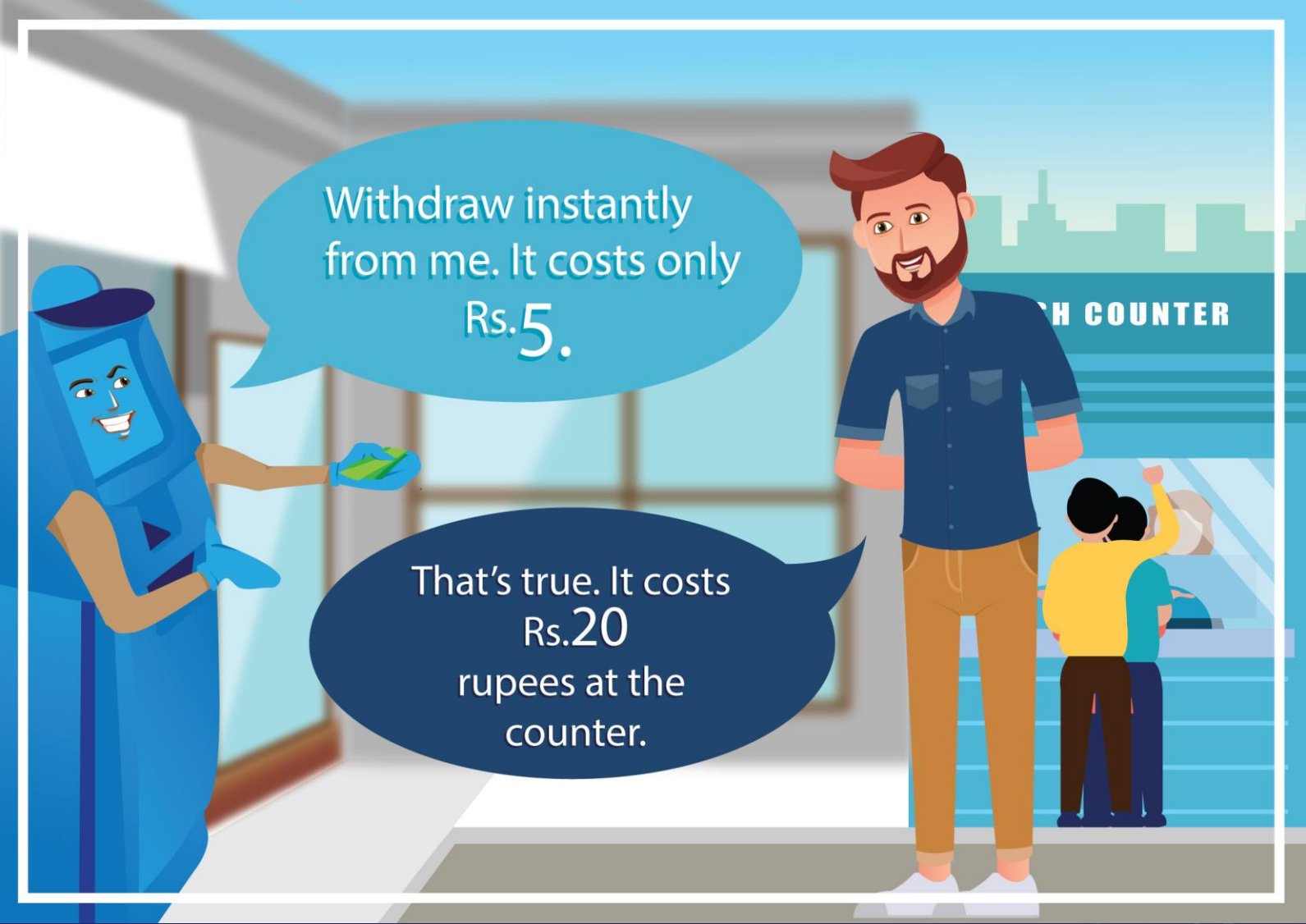
Match the savings duration with your objectives

Don't be fooled by attractive marketing

At the end of this session, you will learn about

Important aspects to consider when maintaining a savings account such as using the ATM facility

Think before you waste your money..



**Rivers are made from individual drops of water.
Likewise, every rupee counts towards your savings.**

**By using an ATM card
you can**

Withdraw money at any time

Avoid queues at the bank counter

Transact from anywhere in the country

Check your account balance easily

Avoid filling in forms

Easily carry it around

In an emergency withdraw money from an ATM of another bank. It may cost less than visiting your own bank branch.

When using an ATM card

- You must ensure your PIN is kept private. Do not share it with anyone else
- You should not keep the card and the PIN in the same place
- You should inform the bank immediately if you lose the card
- You should activate SMS notifications for security where possible

DOUBLE YOUR
INTEREST HERE



*Conditions apply

Should you merely prod and decide?
Or open to check?



Think before you leap!

| What are the terms and conditions behind all the marketing jargon?

| How can you obtain the rewards promised in reality?



Loans

At the end of this session you will know about

The types of loans available to you in the market

The details you must be conscious of when choosing a loan that is most suitable for you

Types of loans





Educational loans



Business loans



Emergency loans



Housing loans



Vehicle loans



Cultivation loans



Mortgage loans



Personal loans

Team Game - Quiz:

First round

A nominee from each team will answer questions individually. 10 points for each correct answer.

Second round

Each team of nominees, will be asked a team question. Members can discuss prior to answering. If the answer is incorrect the other team will be given the opportunity to answer.

10 points for each correct answer.

5 points to the opposing team for each correct answer.

Third round

A common question will be posed to both teams. The first team to sound their buzzer answers.

10 points to each correct answer.

5 points will be deducted for an incorrect answer.

First round

Q1

You obtain a loan of Rs. 100 000. When repaying the loan, the relationship between the loan term and the loan instalment is

- | The longer the loan period, higher the loan instalment
- | The shorter the loan period, higher the loan instalment

Q2

If a person obtains a loan of Rs. 100 000 at a flat interest rate of 10%, the correct statement about the repayment time period and the total amount payable is:

The total amount payable does not get affected by the duration of the loan

If the loan period is reduced, the total amount due will decrease

Q3

The guarantor of a loan has a responsibility:

- | Only if the debtor dies
- | Only if the debtor does not repay the loan
- | Until the loan is paid in full

Q4

When guaranteeing for a loan, the most important thing to consider is

- | The debtor's ability to repay the loan
- | Friendship with the debtor
- | Both of the above

Matters to be considered when guaranteeing for a loan

- ⇒ Ability of the borrower to repay the loan
- ⇒ Relationship with the borrower

For
attention

The guarantor too has a responsibility similar to the borrower until the loan is fully repaid

Q5

How much of a property's market value can be put forward as collateral to obtain a loan?

- Less than 100% of the value of the property
- 100% of the value the property
- More than 100% of the value of the property

Q6

Can you obtain a lease of Rs. 10 lakhs for an unregistered vehicle valued at Rs. 10 lakhs?

Yes

No

Second round

Q1

Although Nimal was able to take out a housing loan to renovate his house by providing the property as collateral, he obtained a personal loan for the same purpose.

What are two disadvantages Nimal may have faced when obtaining a personal loan instead of a housing loan?

Interest rate for a personal loan may be higher than for a housing loan

Interest rate for a personal loan may be higher than for a housing loan

A personal loan may not meet the full amount required for a house repair

Personal loans require guarantors

Q2

Sunila is an employee of a private company. Instead of taking out a personal loan for her child's education she obtains a loan by presenting the registration book of her three wheeler to a finance company as collateral.

What are two disadvantages she may face as a result?

It costs more to get the loan

The vehicle cannot be sold until the end of the loan period

Third round

Q1

Piyal is a farmer who rears dairy cows and grows tea. He receives the money from selling milk and tea once a month. Two credit institutions in the area offer him loan facilities. One institution proposes weekly loan instalment payments while the other proposes monthly instalment payments.

Which company has made the most suitable loan proposal for Piyal?

Give reasons for your answer.

The most suitable for Piyal is the monthly instalment proposal.

Reasons:

- Since he receives income only once a month, he will face cash flow issues if he has to pay weekly instalments.

Q2

Out of the five organizations providing loans in her area, Piyaseeli has obtained loans from four organizations by providing proof of her tailoring business. However the revenue from her tailoring business is not enough to cover the loan repayments and she is now facing difficulties. As a result, she has defaulted on the loan repayments. The organizations that granted her the loans are now pressuring her to pay up.

Provide three negative consequences her family would face in addition to the issues she would face due to her defaulting on the loan payments

She may be unable to meet essential expenses (food, Electricity, Water, Telephone etc.)

It may cause public embarrassment

It may affect the family's unity

The trust towards her family may reduce

Interest Rates

**At the end of this session you will
know how to**

Calculate the effective interest rate on a loan

Protect yourself as a customer by making informed decisions

Flat
interest
rate

Interest rate is fixed and the
interest is calculated on the
original loan amount

Declining
balance
Interest rate

Interest is calculated on the
remaining loan balance each
period

Rule of thumb:

Reducing balance interest rate = Twice the flat interest rate – 2

Loan Interest Calculation Game

There should be four banks and **four families** for the game

Each bank will have **a Manager**

Each family will obtain a loan **of Rs. 120,000 from a bank**

The loan should be repaid monthly **within 12 months**

Opening cash in hand for each family is **Rs. 43,800**



Loan terms:

Bank	Family	Interest rate	Additional fees charged
Yasa	A	Flat 24%	Not applicable
Isura	B	Reducing balance 35%	Not applicable
Diriya	C	Reducing balance 35%	Loan processing fee Rs. 5,000
Jaya	D	Reducing balance 35%	Loan processing fee Rs. 5,000 - Maintain a savings of Rs. 10 000 - For the convenience of the customer, the savings amount will be deducted from the loan amount and the balance will be given to the borrower, and will earn an interest of 4% per annum.

At the end of 12 months

Each family is required to:

1. Calculate the cash balance in hand
2. Calculate the effective interest rate for the loan

Each bank manager is required to:

1. Calculate the amount of cash in hand at the bank

Calculating the effective interest rate

$$\text{Effective Interest rate} = \frac{\text{Total expenses incurred for the loan (Interest and other chargers)}}{\text{Average principal outstanding}} \times 100$$

$$\text{Average principal outstanding} = \frac{\text{Sum of principal amount outstanding}}{\text{Number of instalments}}$$

Interest Rate

Nominal
interest
rate

Advertised or stated interest
rate on a loan

Effective
interest
rate

Actual interest rate you
pay for a loan

Think before you leap

What you see is different from what you perceive.

Do you pay only the interest advertised?

Are there hidden charges? If yes, does it impact the actual amount you must pay?

Do the terms and conditions affect the actual amount you must pay?

Do you know what is the effective interest rate?

Do you know the importance of comparing interest rates now?

Borrowings shouldn't lead to headaches

Obtain

- ✓ only for investment
- ✓ the correct amount at the correct time
- ✓ at a bearable interest rate
- ✓ only from a formal financial institution

Don't

- ✗ take loans for consumption
- ✗ delay repayment
- ✗ misuse loan money
- ✗ fall prey to marketing gimmicks

The **CRB** knows about you....

Do you know about the **CRB** ?

Credit Information Bureau of Sri Lanka



- Maintains credit and financial information on borrowers of lending institutions.
- Provides credit reports on request to shareholder lending institutions and borrowers to whom such information relates



If you have obtained any credit facilities or is a guarantor for a loan, you have a record in CRIB

Building a healthy credit record in the



will make it easy for you get new loan facilities.

Your credit score

CRIB issues a credit score based on your credit information which is a reflection of your credit behaviour.

How is a credit score built?

The Credit Score is a three-digit number ranging from 250 to 900.

Example: for on-time, regular repayment of loans the score is 900

Higher Credit Score = lower Credit Risk

Have you seen your credit report?

CRB iReport

You can obtain it by making a payment

- Directly at the CRB customer care centre
- Requesting it through your bank.
- Online

- It allows you to get better credit terms
- Protects you from signing as a guarantor for those who have excessive debt or have defaulted



Credit Information Bureau of Sri Lanka
No. 25, Whitewest Building
Sir Baron Jayatilaka Mawatha
Colombo 01



0112 131 131

At the end of this session, you learn about

Some factors that will help protect you when conducting financial transactions.

Why SMS?



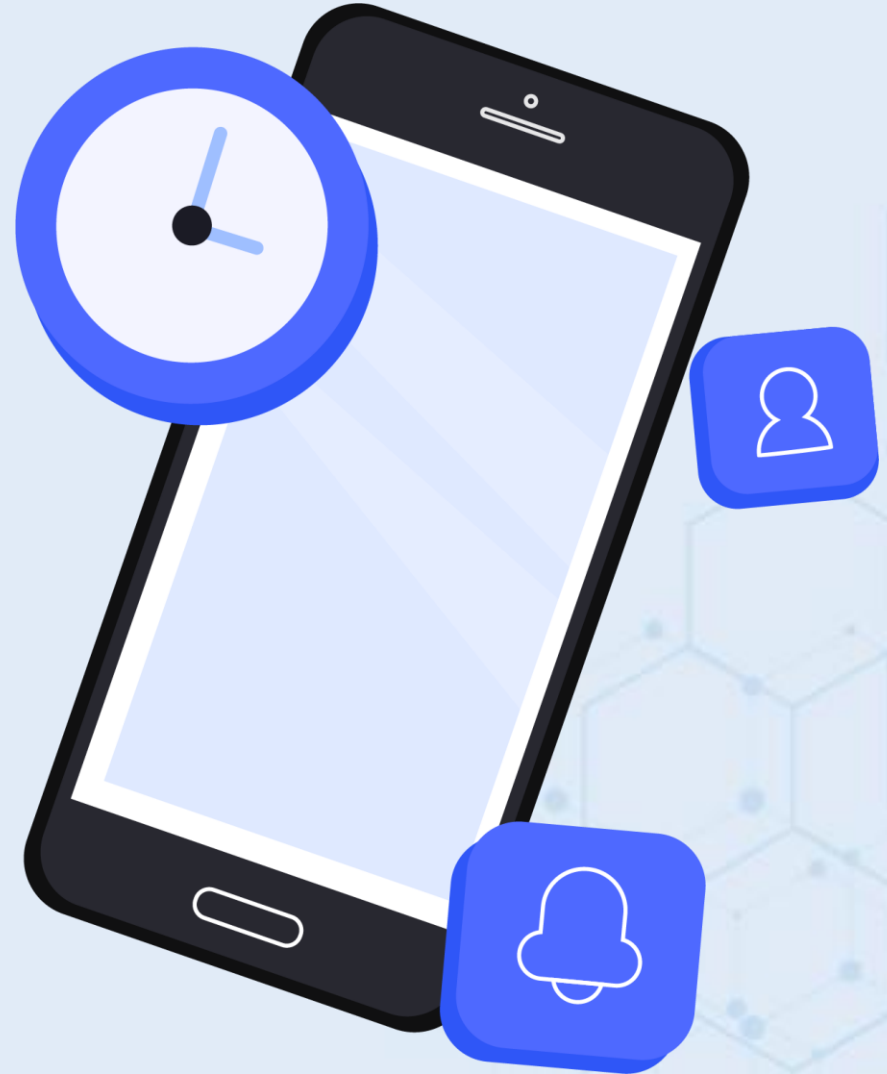


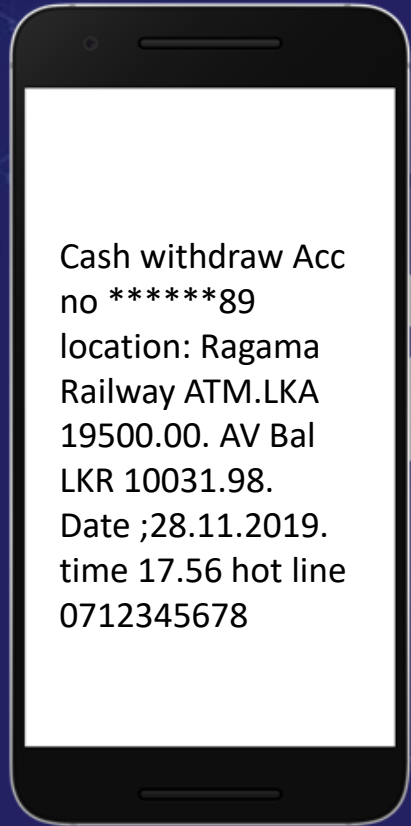
Saves your valuable time

You can get real time updates on your account transactions

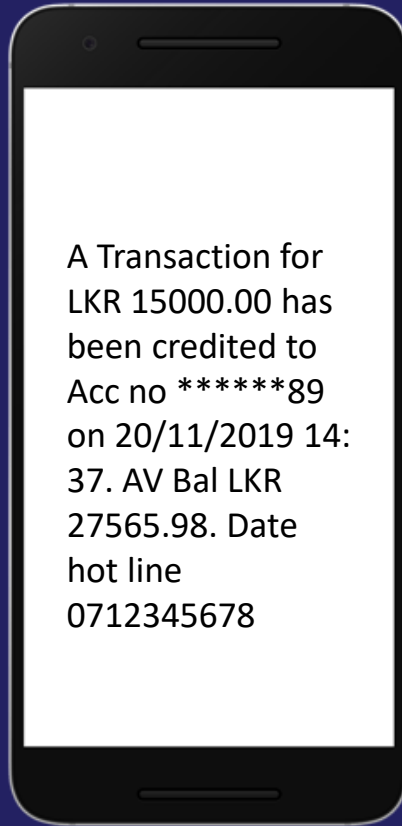
It notifies you about your upcoming loan instalment payments

You get regular updates from your financial institution on services and promotions

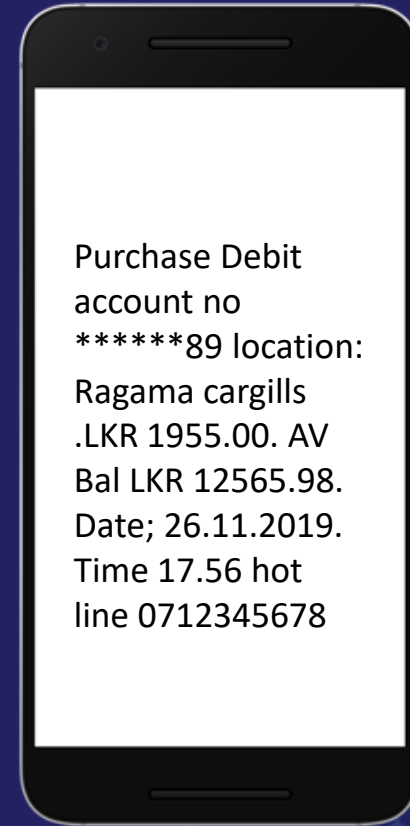




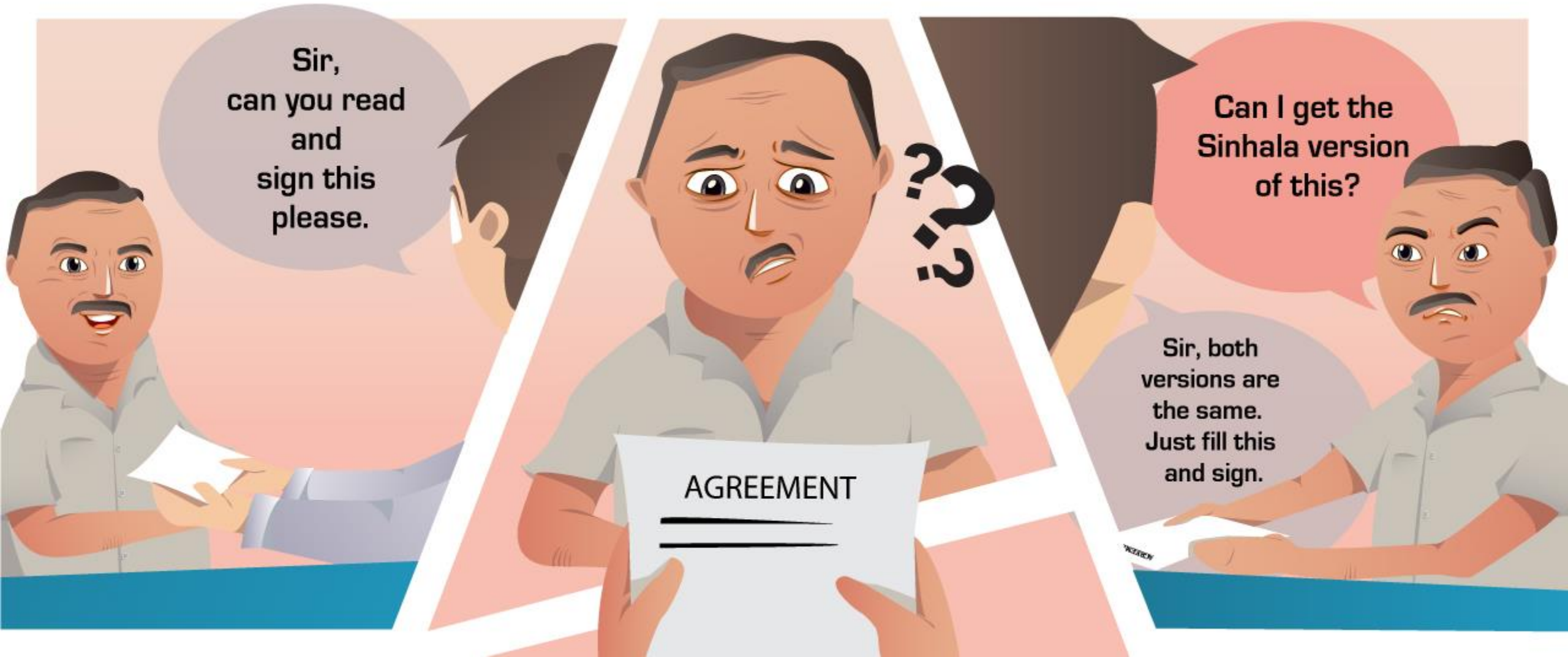
If you withdraw cash



If you deposit cash



If you purchase goods



Sir,
can you read
and
sign this
please.

AGREEMENT

ඉහත
කොටස
විකල්ප
විකල්ප
විකල්ප

Can I get the
Sinhala version
of this?

Sir, both
versions are
the same.
Just fill this
and sign.

You need to be cautious when signing.

Look before you leap!

Make sure you know exactly what you're signing up for.

What should you check for?

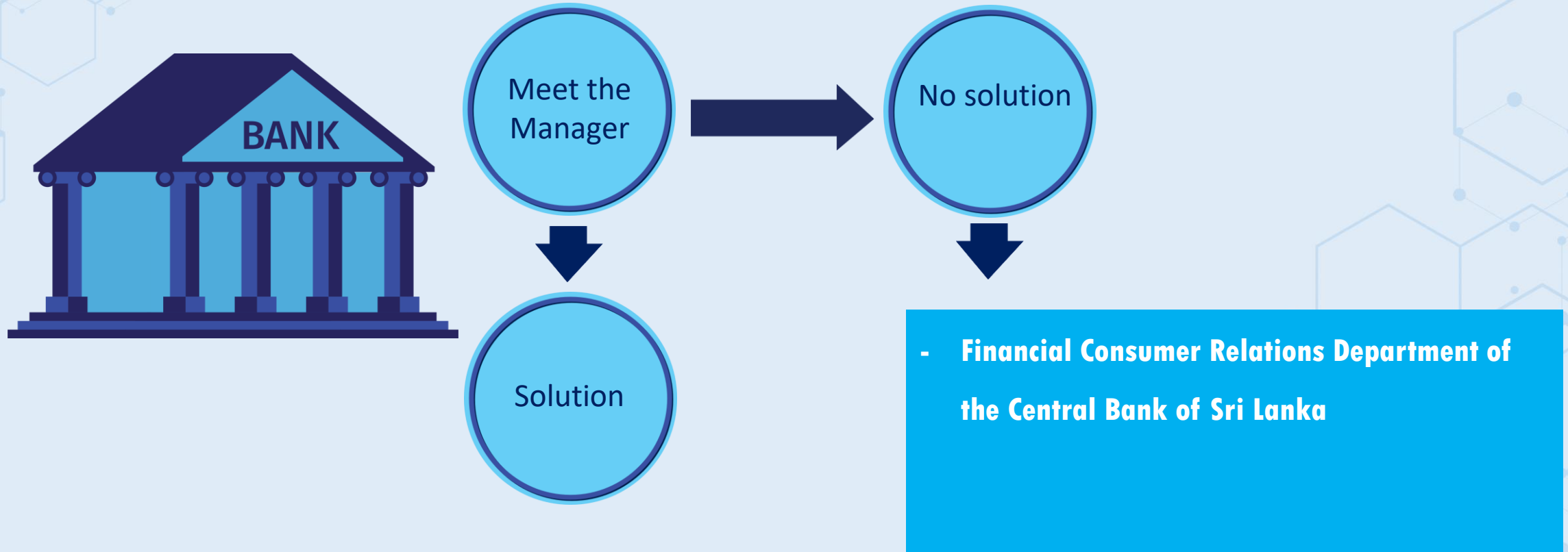
Do you understand the language?

What are the organization's terms and conditions?

What are the consequences if you violate any of the conditions?

Once you sign, there is no going back. It's etched in stone!

If you have any issue regarding your savings




If you have an issue about your loan



Financial Consumer Relations Department – Central Bank of Sri Lanka

 - 94 11 247 7966

 - 94 11 247 7744

 - No 30,
Janadhipathi Mawatha,
Colombo 01

 - fcrd@cbsl.lk

Financial Ombudsman

-  - 011-2595624
-  - No 143"
Vajira Road, Colombo 05
-  - fosril@sltnet.lk
-  - www.financialombudsman.lk

SUMMARY

What is financial literacy?

Identifying income, expenditure and their management

How to save safely

Introduction to different types of loans

Calculation of loan interest

Protecting yourself during financial transactions

For more information

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In partnership with:

**Australian
Aid**



Thank you

