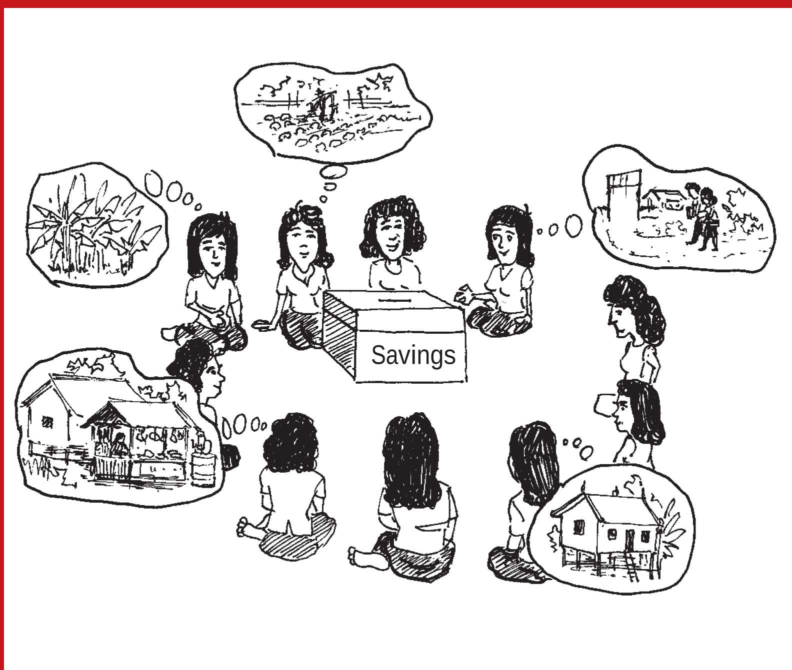
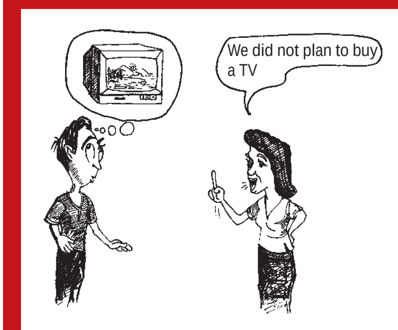
Ministry of Women's Affairs

International Labour Organization

FINANCIAL EDUCATION





Freedom from Hunger

Microfinance Opportunities

Citi Foundation

TRAINER´S MANUAL

International Labour Organization
Cambodia, 2008

FINANCIAL EDUCATION

TRAINER'S MANUAL

INTERNATIONAL LABOUR ORGANIZATION
Cambodia, 2008

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ACKNOWLEDGEMENTS

These materials on Financial Education are based on materials developed by the Financial Education for the Poor Project, supported by Microfinance Opportunities, Citigroup and Freedom for Hunger. They were adapted for use in Cambodia by the ILO Project on Women's Entrepreneurship Development and Gender Equality and the ILO Time Bound Programme on the Elimination of the Worst Forms of Child Labour.

INTRODUCTION

These training materials on Financial Education were adapted from the materials developed by the Financial Education for the Poor Project, for use in Cambodia. Initially, the ILO used the training materials within the context of its child labour programme to provide families of child workers with basic skills related to earning, spending, budgeting and borrowing. The materials primarily target women, who usually manage household money in Cambodia. The training makes them more informed and empowered financial decision-makers, able to set financial targets and reach them. This helps them to improve their living conditions, send their children to school and enjoy rewarding lives.

Much beyond the initial target group of families of child workers, many vulnerable groups in Cambodia would benefit from training on financial education. The training promotes positive attitudes toward saving, more prudent spending and borrowing for sound reasons. It deals with the problem of indebtedness, which is one of the main causes of extreme poverty in Cambodia. The training follows a participatory adult-learning approach. This means that participants will take part in group discussions, share their positive and negative experiences, and explore learning together through role-plays and case studies.

The content notes at the end of this package provide trainers with basic knowledge of concepts discussed throughout the training.

GOALS & SCHEDULE

Training goals:

- To support the target group to make better spending, savings and investment decisions;
- To enable the target group to reach their financial goals without the need to rely on child labour;
- To promote women's economic decision-making capacity within the household.

Example training schedule

TIME	SESSIONS	FACILITATOR
Day 1		
08.00 – 08.45	Module 1: Introduction of Programme and Participants	
08.45 – 09.45	Module 2: Setting Goals and How Much It Costs to Reach Them	
09.45 – 10.00	Break	
10.00 – 11.00	Module 2 (continued)	
11.00 – 12.00	Module 3: Managing Your Money	
12.00 – 14.00	Lunch break	
14.00 – 15.00	Module 3 (continued)	
15.00 – 15.15	Break	
15.15 – 17.00	Module 4: Debt Vs. Equity Financing	
Day 2		
08.00 – 08.15	Recap	

08.15 – 09.45	Module 5: The Dangers of Over-Indebtedness and Default	
09.45 – 10.00	Coffee break	
10.00 – 11.00	Module 5 (continued)	
11.00 – 12.00	Module 6: Comparing Saving Services	
12.00 – 14.00	Lunch break	
14.00 – 15.30	Module 6 (continued)	
15.30 – 15.45	Break	
15.45 – 17.00	Module 7: Budgeting	
Day 3		
08.00 – 08.15	Recap	
08.00 – 09.45	Module 7 (continued)	
09.45 – 10.00	Coffee break	
10.00 – 12.00	Module 8: Staying within Your Budget	
12.00 – 14.00	Lunch break	
14.00 – 15.30	Module 9: Making a Savings Plan	
15.30 – 15.45	Coffee break	
15.45– 17.00	- Reviewing - Evaluation & Closing	

DAILY EVALUATION FORM

The daily evaluation form has to be adapted to the training schedule.

"Financial Education"

DAILY EVALUATION FORM

Date: ……..……………….

Overall, how do you rate today's session?

☺☺	☺	😐	☹	☹☹

Session "**Setting Financial Goals**"

Please check (√) the appropriate rating:	Excellent				Poor
	☺☺	☺	😐	☹	☹☹
Training content					
Training method					
Trainers' performance					

Were you confused about something in this session? If yes, please explain.

What are your suggestions for making the session better?

Session "**Managing Your Money**"

Please check (√) the appropriate rating:	Excellent				Poor
	☺☺	☺	😐	☹	☹☹
Training content					
Training method					
Trainers' performance					

Were you confused about something in this session? If yes, please explain.

What are your suggestions for making the session better?

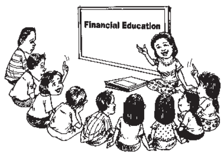
Session "**Debt Vs. Equity Financing**"

Please check (√) the appropriate rating:	Excellent				Poor
	☺☺	☺	😐	☹	☹☹
Training content					
Training method					
Trainers' performance					

Were you confused about something in this session? If yes, please explain.

What are your suggestions for making the session better?

Module 1: Introduction of Programme and Participants



Trainer Note

Learning Objectives

By the end of this session, the participants will:

- Be able to explain the objectives and set-up of the training
- Understand what is expected from them

Session plan (40 minutes)

Step 1 - 20 minutes

Welcome the participants and the resource persons. Let the participants introduce each other as follows:

Ask participants to briefly interview the person sitting next to them, their name, residence, training experience on self help group or other topics, as well as their expectations for the workshop.

The "neighbours" then present each other to the group in plenary (give 1 minute per presentation).

Step 2 - 10 minutes

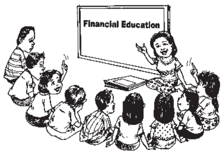
Establish ground rules as follows:

Propose some rules (e.g. timeliness, respect for each other, listen when others speak). Ask the group to add do's and don'ts. Request two participants to list them on flipcharts and stick them on the wall for the duration of the course. Participants may even suggest penalties (such as a fine, dance or a song). Clarify logistics.

Step 3 - 10 minutes

Explain the programme and its objectives. Stress the importance of active participation and mutual learning.

Module 2: Setting Goals and How Much It Costs to Reach Them



Trainer Note

Learning Objectives

By the end of this session, the participants will have:
- Explored the causes of household financial pressure
- Set financial goals and explained how to reach them
- Described what a financial plan is and how it can help achieve financial well-being

Session plan (115 minutes)

Step 1 - 30 minutes

Set financial goals and prioritise them. Ask the participants to find a partner and discuss "**What are your goals for a happy future?**" After 5-10 minutes, ask each pair to share with the whole class. They will likely include goals such as sending children to school, home improvements, more income, less debt, larger business, no sickness in the family and so on.

The participants may have a lot of goals for which they need the necessary financial resources. Ask if they can achieve all of their objectives at the same time. They will say 'no'. Therefore, ask them to prioritise which ones they want to achieve first and which ones they want to achieve later. Do women have other goals than men? If yes, how is this dealt with within the family?

Step 2 - 40 minutes

Ask participants to close their eyes for 3 minutes dreaming of their ideal future livelihoods. **What does it look like if your goals are achieved**? Then ask them to open their eyes and draw a picture of their dream in 2 minutes. They can use symbols to represent their thoughts.

When finished, ask them to describe their pictures. Write down key words (for example, no debt, no illness, children going to school, etc.) on the whiteboard. Stick their drawings on the wall.

Then ask them: **What can you do to make sure you have the financial resources to make your dream come true**?

Summarise the answers of the participants. Make sure the following points are made:

In order to achieve your goals for the future, you need to:
- Figure out the amount of money you earn and spend on basic family needs,
- Determine the costs of your goals,

- Make decisions about how much to save, how to pay off debt and how much to invest in your business,
- Decide on the timing for doing these things.

This is called financial planning.

Ask the participants to keep their goals in their notebook, since they will be used later in the training course.

Step 3 - 20 minutes

Ask participants to discuss the importance of financial planning in pairs. Summarise their ideas and make sure to include the following:

Financial planning:
- Helps you decide your spending priorities for the future
- Gives you discipline for spending and saving
- Helps avoid unexpected money shortages
- Helps you feel less financial stress

Step 4 - 20 minutes

Explain that beliefs about money are based on what we have seen, heard, and experienced in the past. We build our behaviors on them. However, some common beliefs about money are not accurate and they hold us back unnecessarily. For example, many of us believe that we cannot manage money well because we are not good at math.

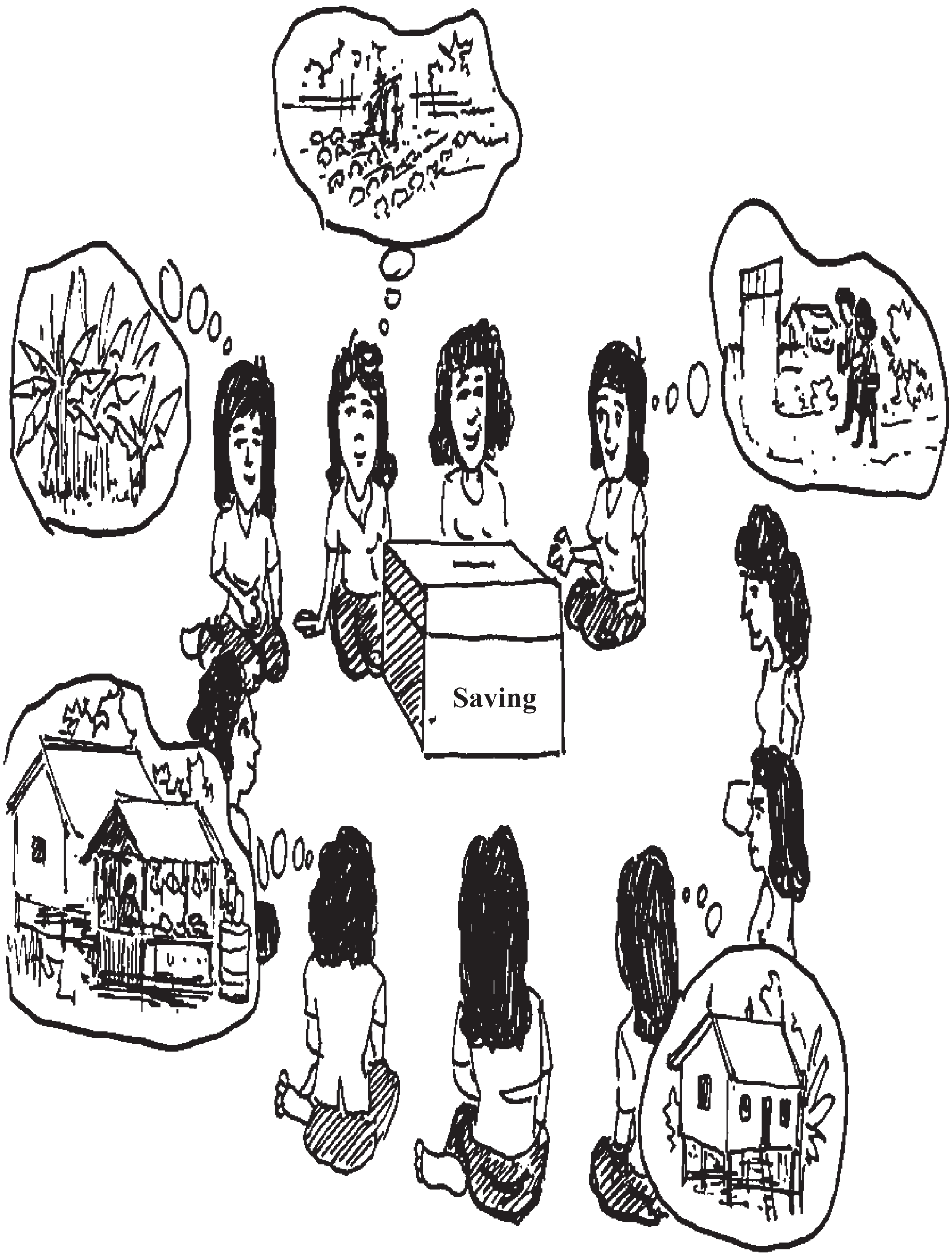
Ask the participants if they agree with the following statements, and discuss them one by one. What other ideas about money are common in their village?

True or False?
- Managing money is complicated
- A person needs to be good at math to be good with money
- My friends would leave me if earned more money than they did
- It takes a lot of money to invest
- My debt is too big to do anything about it
- I trust my husband to make good choices for me
- Poor people cannot save money

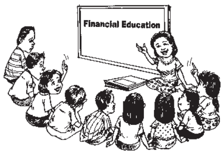
Step 5 - 5 minutes

Ask participants what they learned and what they plan to put into practice. Key points in this module are:
- Setting financial goals
- Prioritising financial goals
- How to achieve their goals
- The importance of financial planning

Training Aid 1: Financial Goals



Module 3: Managing Your Money



Trainer Note

Learning Objectives

By the end of this session, the participants will have:

- Listed and grouped common household expenses
- Identified and grouped household income sources
- Explained how to cope with irregular income and expenses

Session plan (130 minutes)

Step 1 - 30 minutes

Ask participants: **What do you need money for?** Give them colour cards to write down their ideas if they can write (one idea per card). If they cannot, ask them to draw symbols to represent their ideas. When they have finished, ask them to share their ideas and stick their cards on a flipchart.

If they did not include emergencies, get them to write down emergencies. What kind of emergencies could your family face?

Explain that it is important to make a distinction between the money you need for your business (loan repayments, buying equipment, materials) and your family (school fees, emergencies, food and so on). Then invite one or two participants to classify their cards into business expenses and family expenses, for example:

My family:	**My business:**
Necessary expenses	Debt payment
Expected events	Business supplies
School fees	Rent
Emergencies	

Step 2 - 20 minutes

Look at these expenses again. **What are expenses you pay once in a while as opposed to everyday or every week?** Place a checkmark or star next to the expenses that participants identify as infrequent or irregular.

Ask participants to work in pairs and discuss: **How do you plan for expenses that occur only once in a while, including emergencies?**

Summarise their answers and say:

It is important for good money management to plan for expenses that do not occur regularly. You have mentioned many ways this can be done, including saving and postponing purchases until the money is available.

Step 3 - 30 minutes

Ask: **What sorts of difficulties do you face whey trying to save**? List all the difficulties participants experience.

Divide the participants into small group of three, ask each group to select one difficulty/constraint and look for solutions to overcome it. Give each group two minutes for presentation.

Summarise the ideas and add the following points:
- Decide how much you can contribute to your emergency fund each day, or each month, and stick to your plan.
- Keep money in a secure location, preferably out of the house so it is not accessible.
- Make a schedule to pay the most expensive debts first.

Step 4 - 25 minutes

Ask the following:
- Where does your money come from?
- Who earns more, you or your husband/wife? Why?
- Which of these sources of income are infrequent or irregular? Why?
- When you get income in large amounts every once in a while, how do you plan to use it to pay for expenses throughout the year?

Summarise participants' responses by saying to the group:

It is nice to get a large amount of income at one time. It is important to think about how to use this money wisely to pay off debts, make sure you can meet basic necessities and save to meet expenses that will occur in the future.

Step 5 - 15 minutes

Ask participants: **How do you keep track of cash in and out**? Try to obtain a range of experiences. Who, women or men, are better able to control cash in and out? Why?

Discuss advantages and problems of keeping track of the cash coming in and going out, and identify ways to tackle constraints the participants encounter.

Tips for trainers:

Advantages and benefits of simple book-keeping:
- You know how much money goes in and goes out
- You can check your expenses regularly

- You can keep better control of your cash (plan ahead and budget)
- You can check whether money got lost or stolen

All in all, YOU CAN DO IT - the key message is that there are simple ways to keep track of one's cash transactions, without being an accountant!

Step 6: 10 minutes

Ask the participants:

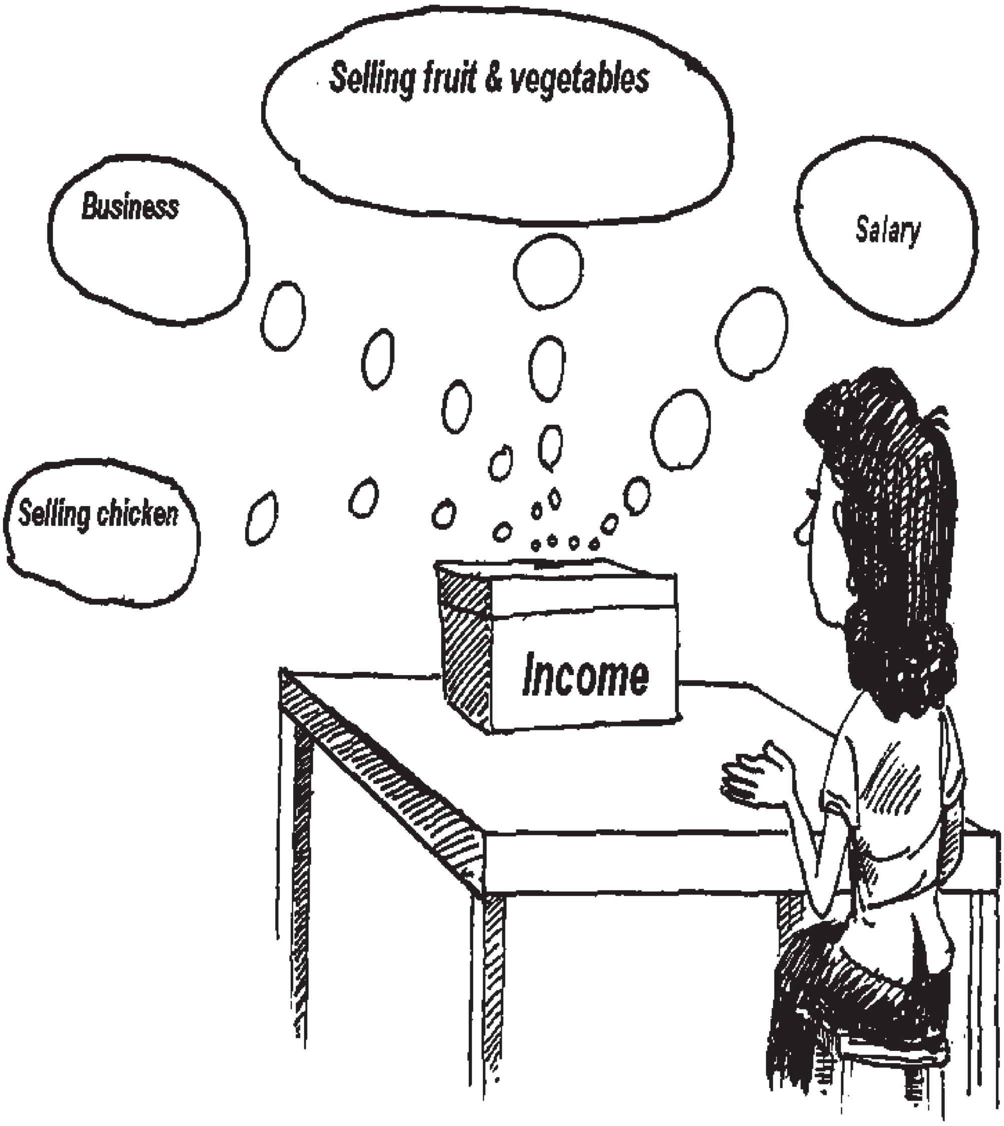
- What have you learned in this session?
- What do you find interesting and useful for your financial management?
- What are you going to put into practice?

Training Aid 2: The "Private and Family Purse" and the "Business Purse"

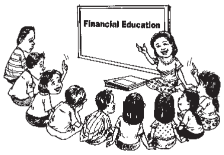
The 'Private and Family' Purse and the 'Business' Purse[1]

[1] From: GET Ahead for Women in Enterprise Training Package and Resource Kit, ILO, 2004

Training Aid 3: Sources of Income



Module 4: Debt Vs. Equity Financing



Trainer Note

Learning Objectives

By the end of this session, the participants will have:

- Identified the principal reasons to borrow money
- Identified ways to expand a business effectively
- Identified pros and cons of equity and debt
- Distinguished good loans from bad ones

Session plan (120 minutes)

Step 1 - 25 minutes

Brainstorm **why people borrow**. When finished ask the participants to look at their answers and then discuss: **What are similar categories for these thoughts and responses**? Invite participants to help classify their ideas into different categories as suggested by the participants.

Tips for trainers:

Three reasons people borrow:
1. To invest (in business: purchasing materials, equipments, land etc.)
2. To respond to an unexpected event or emergency (invitation to a wedding or to other traditional and social ceremonies, sickness, theft or loss)
3. To meet basic family needs, to purchase an item for which they presently do not have enough money

* But we have discussed in the previous session that if you have enough savings, you do not need loans for consumption and emergencies.

Now ask: **Which loans can generate income? Why?**

Tips for trainers:

- Loans for productive investment earn income for the borrower
- Loans for crises and family needs do not bring in new revenue and must be paid back from other sources of revenue. Try to avoid borrowing for these purposes.

Ask: **What are financial resources that businesspeople can utilize when they want to expand their business**? List all financial resources participants mention. Then ask: **Are there any similar categories to group them** (Equity and Debt)? Ask one or two participants to classify their responses into Equity and Debt, for example:

Equity:	Debt:
Own savings	Loan from a microfinance institutions
Income from business	Loans from friends and relatives
Income from selling assets	Loans from moneylenders

Mention that selling assets can be a good or a bad strategy, depending on the type of asset being sold. Selling jewellery, for example, will not affect the future income of the family. Selling land or livestock, however, can seriously affect the family's livelihood.

Step 2 - 35 minutes

Ask two participants to conduct a role play. The role play is about two business women, who are sisters, having the same business (making and selling soybean juice in different villages). During the role play, each sister curiously asks how their sibling finances their business.
After the role play, ask the participants:

- How have Neary and Chantha expanded their businesses?
- Which of these business women is most likely to be successful? Why?
- Which woman takes more risks?
- What sorts of advice would you like to give to both women?
- If you were Neary or Chantha, what would you do differently?

Tips for trainers:

In the short term, Chantha's business will grow faster because she has more money to invest in it. Neary invests small amounts one step at a time and her business grows in small increments. Over time, Neary's business is likely to be more stable and secure because she is not paying off expensive loans and can save for both emergencies and future investment.

Chantha takes more risks. She has two loans at the same time, with little savings for protection.

Step 3 - 40 minutes

Tell the participants they will discuss the advantages and disadvantages of taking a loan and using your own money. Divide participants into two groups, one group discusses the advantages of using your own money and the disadvantages of taking a loan. The other group discusses the advantages of taking a loan and the disadvantages of using your own money. They will enter a debate, one group trying to convince the other that taking a loan is better than using your own money. The other groups tries to argue that using your own money is a lot better than taking a loan.
Give the groups some time to prepare prior to debating.
Summarize the debate by saying that both equity and debt have advantages and disadvantages (See Training Aid 5).

Step 4 - 15 minutes

Ask: **Are all loans good? Why can they be bad for borrowers? Why can they be good for borrowers?** Ask the participants to explain and raise real life experience regarding good and bad loans.

Summarise that there are good and bad loans. Therefore, what do you need to know before borrowing?

Tips for trainers:

We have seen how borrowing money can be a very positive experience. Good loans can help you start or expand a business; it can help you respond to an emergency in your family; it can help you improve your living conditions sooner rather than later. But taking a loan always carries a risk - the risk of not being able to repay. If it ends up costing you money or forcing you to go deeper into debt or non-repayment (loan default), it is a bad loan.

What to know prior to borrowing:

- The amount of your loan repayment, including principal, interest and fees
- The sources of income and or savings you have to make those repayments
- That the asset you are buying with the loan will outlive the loan, and continue earning income for you
- That the price you can charge for your goods financed with the loan money is high enough to both repay the loan and make a profit

Step 5 - 5 minutes

Review what we have discussed and explored during this sessions.

- What have you learned in this session?
- What do you find interesting and useful for your financial management?
- What are you going to put into practice?

Summary the key points:

- Principal reasons why people borrow
- Financial resources to expand your business
- Equity vs. debt financing
- Good and bad loans

Training Aid 4: Role play "Chantha's and Neary's soybean juice businesses"

You are Neary and you run a soybean juice business. Today you are going to visit your sister, Chantha, who also sells soybean juice. In your meeting with her, you ask your sister a lot of questions about how she finances her business.
Your sister also wants to know how you finance your business. Here is the way you have run and expanded your business.
You have a soybean juice business that you started with 20,000 Riels from your savings and 1,000 Riels your husband gave you. Although the business is very small, you have a plan for expanding it, one step at a time. Every week, you try to set aside 5,000 Riels in your Village Bank especially for your business. That way, every 3 or 4 months, you have enough money saved to buy something you need to grow your business. You began buying larger quantities and a greater variety of beans and sugar; then you purchased plastic bottles so you can sell larger quantities to those who want to take soybean juice home. As your income increases, you can save more and plan bigger investments in your business.

You are Chantha and you have a soybean juice business. Your sister Neary also sells soybean juice. Today she is going to visit you. You are eager to find out how your sister finances her business. Therefore, you need to ask your sister a lot of questions about how she expands her business.
Your sister also wants to know how you finance your business. Here is the way you have run and expanded your business.
You have a soybean juice business that you started with 10,000 Riels of your own money and a Village Bank loan of 20,000 Riels. With the loan you had enough money to purchase a small refrigerator that enables you to store juice longer and sell it cold. You pay your weekly expenses, including your loan payment, on time every week, but can only save 2,000 Riels at most per week. When a kiosk in the market became available for lease, you saw a good business opportunity. You calculated that your sales would double. Because you needed to lease the kiosk right away or loose it, you borrowed 400,000 Riels from your brother-in-law.

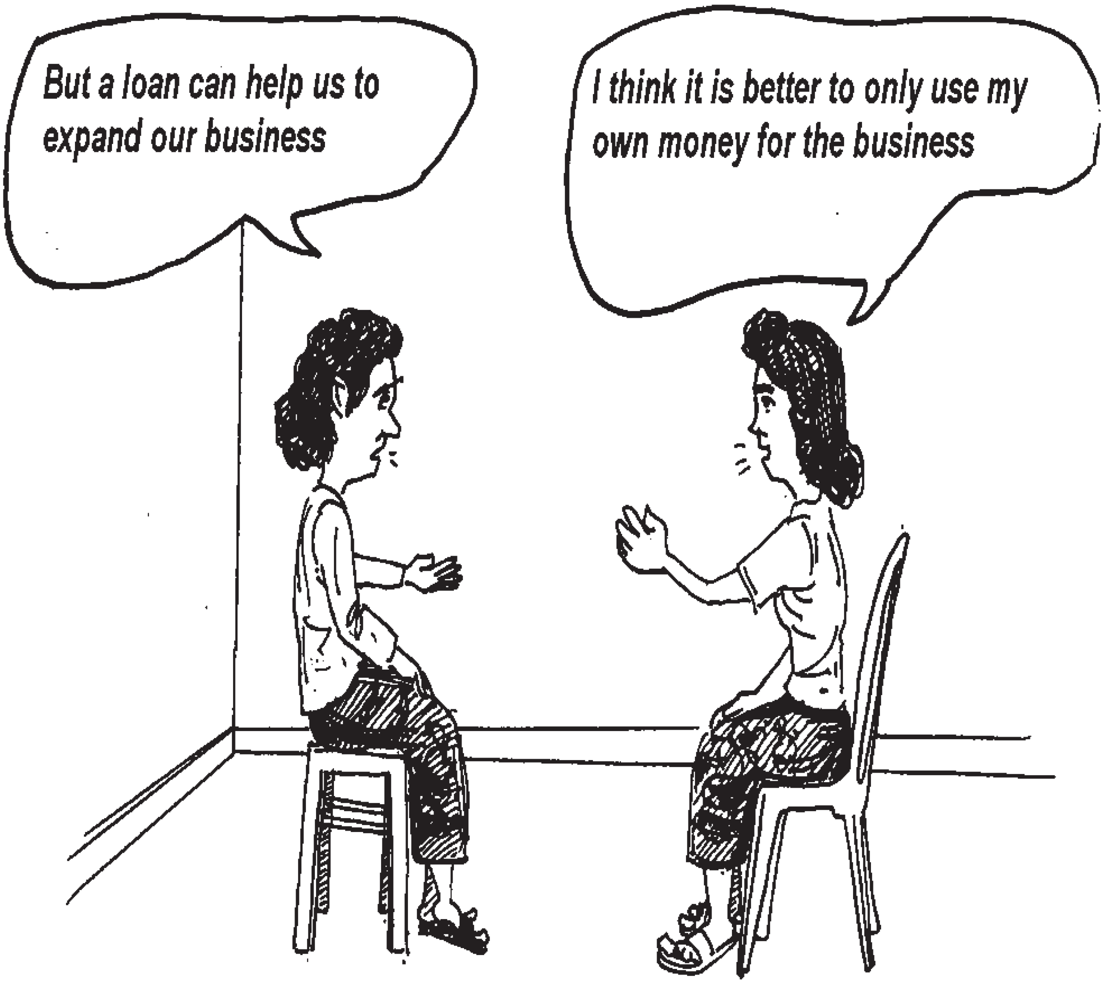
Training Aid 5: Taking a Loan or Using Your Own Money

	Taking a Loan	**Using Your Own Money**
Advantages	You gain access to more money than you have in savings. You get money quickly when you need it for emergencies.	You avoid the costs of borrowing. You are free to use your money as you wish. You face less risk when you finance your business growth in smaller increments based on what you can afford to invest. You avoid the obligation of future loan repayments.
Disadvantages	You bear the cost of borrowing (with interest, fees and time to apply). You are responsible for repaying your loan on time, and face penalties for late payment. You must meet the requirements of group membership (attend meetings on time, etc.) if the loan is through a group.	You have limited access to needed capital. Your business grows more slowly. You have limited ability to respond to opportunities.

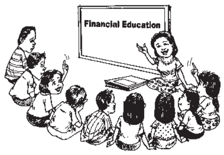
Training Aid 6: Good Debt and Bad Debt

Use of the Debt	Good Debt	Bad Debt
Purchasing an asset for business	The asset outlasts the time it takes to pay off the lender. The income earned from the asset exceeds the cost of the loan.	Debt is still owed after the asset is outdated or broken or the income earned from the asset is less than the cost of the loan.
Working capital	The loan makes it possible to pursue a business opportunity that is profitable enough to repay the loan and have something left. The loan helps you save money on inputs or inventory and thus increase your earnings from the final product.	You cannot earn enough to repay the loan. You have other less-costly sources of financing. You cannot get the loan in time to take full advantage of a specific opportunity.
Basic family needs		Debt is still owed after the loan has been used. The loan didn't generate any income to pay back.
Emergency loan	The loan helps you solve an immediate problem without undue hardship.	The loan terms are too costly, or cannot be adjusted to your ability to repay.

Training Aid 7: The Pros & Cons of Taking a Loan or Using Your Own Money



Module 5: The Dangers of Over-Indebtedness and Default



Trainer Note

Learning Objectives

By the end of this session, the participants will have:

- Discussed why loan delinquency can be a serious problem
- Identified various causes of delinquency
- Identified steps to avoid delinquency

Session plan (130 minutes)

Step 1 - 20 minutes

Ask: What are causes of delinquency? Or what reasons can you think of that would cause a borrower to be delinquent?

Keep writing until participants run out of ideas.

Tips for trainers:

Here are some possible causes:

- Her business is doing poorly
- She spends a loan meant for working capital on personal items
- She needs to give money to her husband for his social activities
- She loses money to theft
- She has an illness that keeps her from working
- Natural disaster
- Diverting the loan money to buy school books and uniforms
- Diverting the loan money to another household emergency
- Risky business practices such as selling on credit
- Failure to keep track of loan repayments
- Failure to regularly set aside money for the loan repayment

Step 2 - 10 minutes

Now let's look at our list of reasons and decide which are due to poor decisions by the borrower, and which are due to unavoidable bad luck. As a group, mark the bad decisions with a frown and the bad luck with an X.

In case of disagreement, encourage participants to explain their views.

Step 3 - 30 minutes

Small contest: divide participants into four or five groups. Tell them that they are going to hear some problems with three suggested solutions (multiple choice) to overcome them. Decide which solution is the best among your group members. After your group has worked out which one is the best option, raise your hand quickly. Any group who raises their hand first will have the first chance to answer this. If this group has the correct answer, they will get 1 score. But if this group gives a wrong answer, the second group will have a chance to try it. Discuss the answer with the group.

The trainer should draw a table like this:

Group	Problem 1	Problem 2	Problem 3	Problem 4
1				
2				
3				
4				

Problem Situation 1

Problem: Sotheary borrows 400,000 Riels to purchase a small second-hand refrigerator for her Soybean Juice business that costs 200,000 Riels. Her original plan was to use the extra 200,000 Riels to buy bean in bulk to trade and earn enough to pay the first three instalments of her loan. But her friend Sokha convinced Sotheary to lend her the 200,000 Riels, promising she would repay the whole amount before Sotheary's first instalment was due. Sokha disappeared with the money. What could Sotheary have done differently?

Option 1: Given the friend the money in exchange for some collateral of greater value (for example a golden necklace).

Option 2: Refused the friend's request and suffered her anger. ✔

Option 3: Given friend one-half of the 200,000 Riels, and invest the remaining 100,000 Riels to earn the money she needs to repay her loan.

Problem Situation 2

Problem: Thyda borrows 40,000 Riels for seeds and fertilizer for her vegetable garden. The plants are growing well and she is very excited to be making money. She celebrates by buying a new dress for herself and a new ball for her son. But at the end of the month when she has to make a loan payment, she only has half the amount needed. What could she have done differently?

Option 1: Set aside the amount of her loan payment first before buying presents. ✔

Option 2: Made her purchases and planned to borrow the other half due from her sister.

Option 3: Taken a bigger loan at the beginning so she could both start her business and buy presents.

Problem Situation 3

Problem: Narith has a loan from his village bank to operate a small shop. His business is small but steady and he has always made his loan payment on time. But when his son was injured in an accident, he took an emergency loan from his village bank to pay his medical bills. Then, he closed the shop to stay at home with him, and found he could not pay the two loans he had.

Option 1: Found someone else to stay with his son so he could keep the shop open.

Option 2: Sold something of value (e.g. jewellery, television) to pay the medical bills instead of taking another loan. ✔

Option 3: Doubled the prices in his shop to raise the money needed for the medical bills.

Problem Situation 4

Sreyny becomes ill and has to stay at home in bed for several weeks. She takes out a small loan from a microfinance institution to pay for doctor's fee and medication. Because she cannot work in the brick factory during that time, she earns less and cannot make her loan payment. Once she is able to work again, she owes a lot because of the penalty fees. She is in a downward spiral and fears she will have to ask her children to work with her in the brick factory.

Option 1: Talked to family members to see what money they can put towards the loan payment so as to avoid the penalty interest during her sickness.

Option 2: Saved a little each week or each day above and beyond what she needs for her loan payment to protect herself in such situations. ✔

Option 3: Taken a new loan to make the loan payment on the first loan.

Step 4 - 30 minutes

Tell participants that they will see a short role-play (see training aid no. 8). But first, ask them if they know any microfinance institutions or money lenders, and replace the name of the lenders in the story (in bold) with the names of lenders they are familiar with. Then select 3 participants to conduct this role-play.

After the role play, thank the actors and discuss the following questions:

- What is Sytha doing? (Borrowing from 3 different sources)

- Why is she borrowing from so many lenders? (She is borrowing from one to pay her debt to another)

- How does Sytha think about the various lenders she hopes to borrow from? (She seems to think she can borrow from anyone easily and that none of the lenders will care if she is going to others at the same time.)

- How is Sytha's husband supporting her? (He didn't live up to his promises and seems not to take responsibility)

- What do you think will happen to Sytha? (Eventually, she will default on one or more of these loans. Her group may ask her to leave, or come to her house to take collateral for the loan she cannot pay. She will become known as a bad borrower and lose her ability to borrow.)

Step 5 - 30 minutes

Identifying the consequences of defaulting loans.

Do you know anyone who has defaulted on a loan? What happened?

Let us return to our friend Sytha. We are going to assume that she has gotten herself into trouble with her loans and has failed to repay them. Let's explore what might happen to Sytha as a result. Each group will receive one of these cards. You will prepare a short sketch acting out the scene written on your card. The rest of the participants will watch and decide which result you are portraying.

Role-play cards

> You are the members of Sytha's borrowing group trying to decide what to do about her default.

> You are members of Sytha's extended family (sisters, in-laws, aunts, etc.) who have all lent her money that she has not repaid.

> You are shopkeepers talking together about making loans to customers: which of your customers you lend to, and who **not** to **lend** to.

Ask the participants to present their sketch. After each sketch, ask:

In this scene, what were the results for Sytha?

After all sketches have been performed, say: defaulting on loan has many negative consequences. What are ways to avoid defaulting in the first place?

Summarise the participants' ideas. Mention the following points if they do not do so.

- Borrow only the amount of money you can afford to pay back.
- If you miss a payment, make sure to be honest with the lender about your troubles.
- Get advice about how to repay your loan from the lender, friends and family.
- Cut some costs to make your debt payment.
- Consider making improvements to your business practices to sell more products and services.

Step 6 - 10 minutes

What two things will you tell your family about loans/defaulting?

Training Aid 8: The Story of Three Borrowers

Meng: Hey, Sytha, isn't today the day our loan application will be approved at **Village Bank**?

Sytha: Yes, the loan committee meets at 11:00 this morning. I am not worried, though, since we are only asking for 20,000 Riels, less than we asked for before.

Meng: But Sytha, how can you only borrow 200,000 Riels? Have you forgotten that next week we have a payment due at **ACLEDA**?

Sytha: Meng, you told me that you would find the money for that payment!

Meng: I know, but I couldn't. You have to borrow at least 400,000 Riels at the **Village Bank**.

Sytha: Ahg! I won't be able to make the payments on such large loan!

Meng: Don't worry so much! I'll give the money you need later. I've got to go. See you!

At Sytha's meeting of **Village Bank**: Enter Sytha and Sovann

Sytha: Hey there, friend. Lend me 10,000 Riels so I can make my payment today, okay?

Sovann: (irritated) Oh, yeah, Sytha. Sure. This is the second time you have asked me for your payment. And you haven't ever paid me back the first 10,000 Riels I lent to you!

Sytha: Don't worry! I'll pay you. Today I am getting money from **AMK** and I'll give it to you right away.

Sovann: You are borrowing from **AMK**?

Sytha: Yeah, I need to borrow from them because my sales are not good these days and I have a lot of debt. Why don't you come with me this afternoon? Wake up! You can get bigger loans there!

Sovann: I don't know. I'll think about it.

Sytha: Don't be a fool. Take the loan. It is easy. That's what I am doing to get the money to pay you. Then you'll have all the money you need. I'll come by your house at 1 o'clock. Be ready.

Training Aid 9: Role-play cards

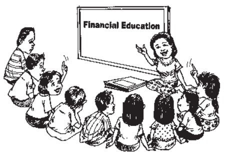
You are the members of Sytha's borrowing trying to decide what to do about her default.

You are members of Sytha's extended family (sisters, in-laws, aunts, etc.) who have all lent her money that she has not repaid.

You are shopkeepers talking together about making loans to customers: which of your customers you lend to, and who **not** to **lend** to.

Training Aid 10: Consequences of Default

Module 6: Comparing Savings Services



Trainer Note

Learning Objectives

By the end of this session, the participants will have:

- Identified savings mechanisms that are available to people in their community
- Discussed advantages and disadvantages of different methods of saving
- Identified features that might influence their choice of savings service
- Matched their saving goals with specific savings products

Session plan (150 minutes)

Step 1 - 20 minutes

Ask: **What are the ways people save in your village**? Get the participants to mention all different ways in which people save, including things like "at home", "in jewellery", "in livestock", "with savings groups", "with microfinance institutions" or "with banks". Write their answers on a flip chart (see example below).

For each category, ask participants to raise their hands if they have used the different ways of saving.

Step 2 - 35 minutes

Divide the participants into 3 or 4 small groups (depending on the different kinds of savings mechanisms known to the participants):

- Group 1 discusses the advantages and disadvantages of saving with a bank (i.e. ACLEDA)
- Group 2 discusses the advantages and disadvantages of saving with a microfinance institutions (i.e. AMK)
- Group 3 discusses the advantages and disadvantages of saving with a Self Help Group
- Group 4 discusses the advantages and disadvantages of saving at home or in kind

Saving Services	**Advantages**	**Disadvantages**	**Risk Rating**
Savings with a bank			
Savings with a microfinance institution			
Savings with a Self-Help Groups			
Savings at home (in cash)			
Savings in kind (gold, jewellery, livestock, land)			

When finished, give each group 2 minutes to present their ideas. Trainers can add some points (See Training Aid 11).

Step 3 - 10 minutes

Determine which savings service is safest. Ask: **What bad things can happen to your savings**? (Savings get stolen or lose, lose value, get used by family members, are not available due to problems with the bank or MFI).

Ask participants to look at types of savings services we have talked about and identify what type of savings mechanism is safer than others. Why? Return to the table above and point out the last blank column. Ask participants to consider each service and give it 1, 2 or 3 depending on how safe they think it is. "1" is safest and least risky and "3" is least safe and most risky. Encourage discussion if there is any disagreement.

Step 4 - 20 minutes

Identify features that influence our choice of savings service. Ask: What are the characteristics of saving services that are important to consider when selecting a service?

Solicit a number of responses and write them on white board. If all of the following features are not named, add the missing items to the list.

Tips for trainers:

Characteristics to consider when choosing a savings service

- Access
- Convenience and ease of use
- Opening deposit requirements
- Safety
- Interest earned on savings

Step 5 - 20 minutes

Discuss savings products. Ask if anybody has put his or her savings in a bank or microfinance institution. If yes, ask them to describe different choices of savings products. See training aid 12 for examples of savings products commonly offered by banks and microfinance institutions.

Step 6 - 20 minutes

Select a product to match specific saving goals. Divide participants into two groups. Give each group two scenarios (see training aid 13) and ask them to identify which saving product is best suited to the saver's goals.

Tips for trainers:

Scenario 1
Answer: Fixed term account

Scenario 2
Answer: Passbook savings will allow her to make small deposits whenever she can and withdraw money when she needs to. Since she does not know when she might need to withdraw money for an emergency, she probably would not want restricted access that would force her to pay a penalty if she takes money out before her contract period is up.

Scenario 3
Answer: Since Sokhom does not plan to spend this money for two years, a time-deposit account will earn the highest interest and keep her money safe from temptation to spend it on other things, as penalties are charged for early withdraws.

Scenario 4
Answer: Passbook savings

Step 7 - 15 minutes

Ask participants to look at their financial goals developed in session 2. Ask them to think which savings product will best meet their goals. Why?

Discuss with the participants who in the family has the responsibility to save, and who has the right to withdraw the savings. Would they prefer a joint family passbook or individual passbooks for both the husband and the wife? Mention that with some microfinance institutions it is possible to open a savings passbook for children. This can be helpful, since children will learn to save from an early age and enjoy the benefits later in life.

Step 8 - 10 minutes

Review what we have discussed and explored during this sessions.

- What have you learned in this session?

- What do you find interesting and useful for your financial management?
- What are you going to put into practice?

Summarize the key points:

- The ways people save: with banks, MFIs, SHGs at home or in kind
- Pros and cons of each savings service
- Features to consider when selecting saving services
- Different kinds of savings products that match different savings goals

Training Aid 11: Advantages and Disadvantages of Different Types of Saving Services

Saving Services	Advantages	Disadvantages	Risk Rating
Bank or microfinance institution	- Safest option - Less temptation to withdraw and spend - Earn interest - Access to a wider range of savings products (current account, fixed account, etc.) - Helps to manage money	- Low remuneration - Minimum deposit required to open account may be a barrier - May charge fees - Long lines and delays inside banks - Less accessible to those who can not read or write	
Self Help Groups	- Easy access - Savings often linked to credit - May earn dividends on loans made with savings - Group rules about frequency and amount of deposit encourages savings	- Safety depends on the group	
At home (in cash)	- Easy access	- Not safe - Too easy to spend and 'waste' on non-essential items	
In kind (gold, jewellery, livestock, land)	- Value might increase over time - Must sell to access cash - decreases temptation	- Difficult to liquidate in case of emergency - Value could decrease over time - Risk of theft or death (in case of animals)	

Training Aid 12: Formal Institution Savings Products

Type of Savings Product	How it works	What it is used for
Passbook Savings (savings account)	- Voluntary timing and amount of deposits - Flexible withdrawals (although sometimes clients need to give 3 or 4 days notice for withdrawal) - Usually pays interest	- Emergencies and unexpected opportunities
Fixed-term account	- Regular deposits of fixed amounts over a pre-determined period of time. Client can decide how much to save for how long. - Access to savings restricted until the contract is fulfilled. - Penalty is paid for early withdrawal - Interest is usually higher than on passbook savings - Can borrow against your savings	- For expected needs
Time Deposit	- Fixed sum for a predetermined term and rate of interest - Requires a minimum deposit - Inflexible - Pays a higher interest rate than either a passbook or fixed term for the same amount of saving	- For larger needs expected in future such as marriage or a major capital purchase.

Training Aid 13: Matching Savings Goals with Savings Products

Scenario 1

Daneth wants to save for her wedding next year. She has almost nothing saved now, but if she puts aside 60,000 Riels every month for a year, she will have just enough for the wedding. So doesn't wan to be tempted to dip into these savings for anything else.

Scenario 2

Sophea has just completed a learning session on savings for emergencies. Now she is determined to save every month, even if she can only afford a small deposit. She does not know what she might need the money for now, but she does not want an unexpected illness or accident to ruin her family.

Scenario 3

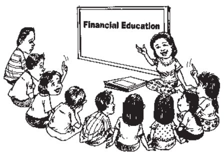
Minh Sokhom just received 600,000 Riels from her son who is working in Phnom Penh. She could spend this money on any number of important things, but she really wants to put it away for her daughter's university education. Although her daughter won't go to university for another two years, she knows that she will need a lot of money.

Scenario 4

Chenda needs a place to save a portion of her sales earning from selling fruit. She needs to save so that she can expand her business soon. She wants to be able save weekly and withdraw the mount she needs every month to buy more kinds of fruit.

Training Aid 14: The Selection of Savings Services

Module 7: Making a Budget for the Family



Trainer Note

Learning Objectives

By the end of this session, the participants will have:

- Identified the importance of a budget
- Describe the steps to create a budget
- Given advice to each other how to adhere to the budget
- Identified ways to improve their own money management through budgeting

Session plan (160 minutes)

Step 1 - 15 minutes

Explain what a budget is: a budget is a plan that lays out what you will do with your money. A good budget helps you to pay for what you need and save up for what you want in life

Ask: Have you ever prepared a budget? If yes, invite them to share with the other participants what their budget looks like. Invite one or two participants to draw on the board (if they can write) or describe it (if they cannot write). Make sure that a budget consists of different expenses and sources of income.

Step 2 - 35 minutes

Ask participants to imagine that their daughter is getting married next month, so they need to develop a budget for her marriage now.

Divide the participants into 3 or 4 groups. Ask: What information do you need to develop this budget? Trainers can give some support as needed.

Give each group 5 minutes to develop this budget and 2 minutes to present it.

Step 3 - 25 minutes

Ask participants to look at their budget. Ask the following questions:

- What steps did you take to prepare this budget?
- Which budget included all sources of income? (presents from guests, relatives, family members, friends, etc.)
- Which group estimated a realistic amount of income?
- Which budget identified all expenses and made a realistic estimate of all expenses?
- Which budget has a good balance between income and expenses?
- If you were asked to do this again, what would you do differently?

Tips for trainers:

Steps to develop a budget

1. Review your financial goals
2. Estimate the amount of income from different sources
3. List all expenses and amounts needed
4. Make sure your expenses are not more than your income
5. Decide how much you will save
6. Review and adjust as needed

Step 4 -50 minutes

Now you will practice to develop a budget for your family. Ask participants to work in pairs developing a 6 month budget for their family.

Distribute training aids 16 and 17 and explain how to use them:

Income

1. On the budget worksheet, define your family sources of income and write them in the first column under "income". Some of these sources may provide income every month, day or week and some may provide income only during certain periods of the year.

2. Estimate the expected income by month from each source and write it in the appropriate box on the worksheet. Some of your income may come infrequently in larger sums. To figure out what this irregular income is on a monthly basis, determine how much you receive annually and divide this by 12 (see training aid 17). Transfer the monthly amount you calculate for infrequent income to the budget worksheet.

Expenses

3. Write your expenses for each category of expenses: debt payment, necessities, optional expenditures, emergencies and so on.
4. Estimate your expenses for each category for each month. You may pay some expenses only once a year or once every quarter. If you have an infrequent expenses like this, it is useful to spread it across months in your budget. To figure out how much your irregular expenses would be on a monthly basis, calculate the total expense per year and divide by 12 (see training aid 17).

Step 5 - 25 minutes

When finished, ask a few pairs to share the results with the whole group and encourage feedback from the other participants. Make sure that participants include all sources of income and there is good balance between income and expenditure and some savings.

Ask the following questions:

- How did you estimate income?
- How did you estimate expenses?

- How did you feel when preparing this budget?
- What are advantages of preparing a budget?

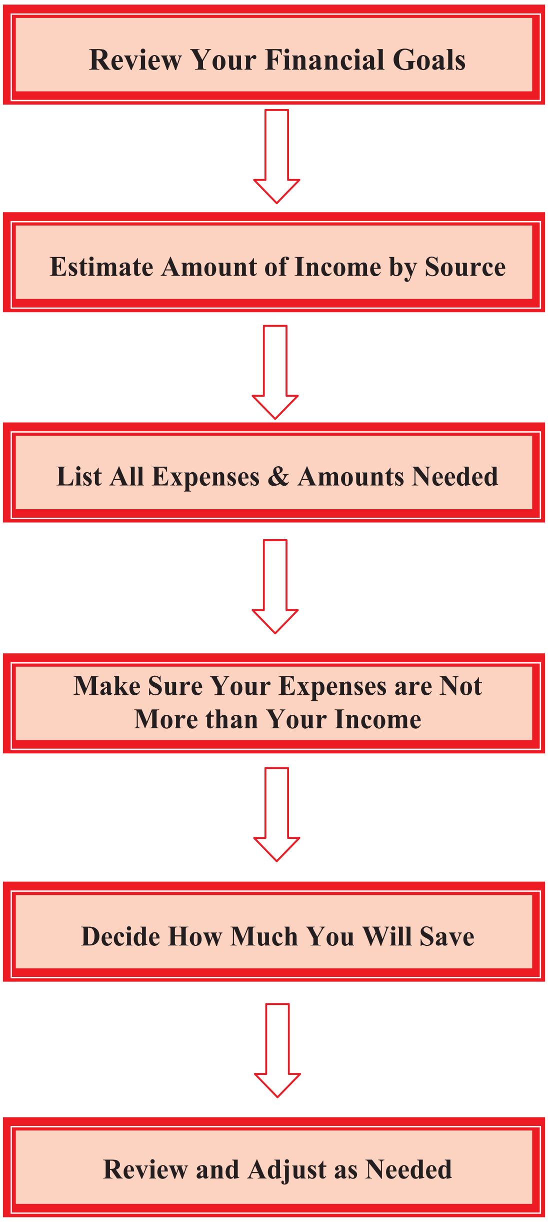
Step 6 - 10 minutes

Mention the benefits of making a budget:
- Eases decision-making about spending and saving
- Encourages cautious spending
- Encourages discipline saving
- If followed, helps you to meet financial goals
- Helps you to take control of your money

Review what we have discussed and explored during this session.
- What have you learned in this session?
- What do you find interesting and useful for your financial management?
- What are you going to put into practice?

Summarize the key points are:
- Steps to prepare a budget
- Budget formulation
- How to estimate income and expenditures
- The importance of budgeting

Training Aid 15: Steps to Develop a Budget



Training Aid 16: My Family's Budget (1)

My Family's Budget
01 January - 30 June, 2008

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Income						
Salary of …						
Business of …..						
Selling vegetable and fruit						
Selling chickens, pig						
Other income:						
Total Income:						
Expenses						
Necessary household spending:						
food						
education						
health						
house						
cloths						
Business spending:						
Emergencies						
Other expenses:						
Total Expenses:						
Savings						

Training Aid 17: Infrequent Income & Expenses Worksheet: Making monthly estimates

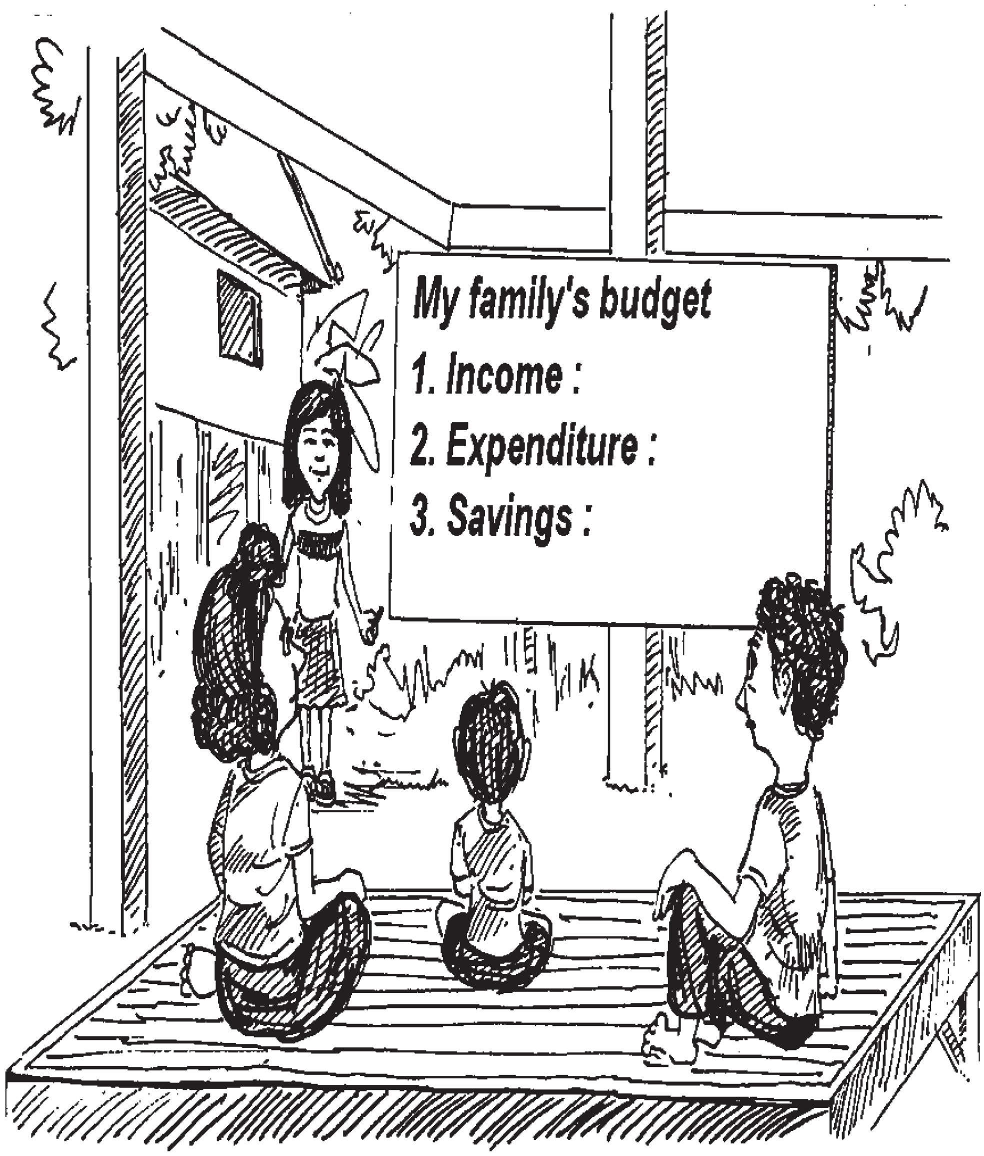
INFREQUENT INCOME

Income	No. of Times Received	Amount	Annual Amount	Monthly Income (divide annual amount by 12)

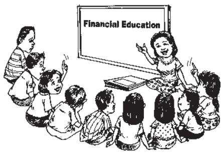
INFREQUENT EXPENSES

Expense	No. of Times Paid	Cost per Time Paid	Annual Cost	Monthly Cost (divide annual cost by 12)

Training Aid 18: My Family's Budget (2)



Module 8: Staying within Your Budget



Trainer Note

Learning Objectives

By the end of this session, the participants will have:

- Identified ways to address difficulties of staying within a budget
- Practiced identifying ways to cut spending by prioritizing expenses

Session plan (125 minutes)

Step 1 - 30 minutes

Ask participants to list their typical daily expenses. Give them two minutes to do this. When finished, ask one participant whose list is rather long to share with the group and another person whose list is quite short. **What are some of the reasons why these two lists are very different in length?**

If you need to stay within your budget, **what can you do with your daily expenses?**

Ask them to prioritise their expenses - identifying the 3 or 4 most important financial priorities.

Tips for trainers:

Ways to cut spending:

- Consume less of non-essential items (snacks)
- Spend less on parties and festivals
- Lower expenses on life events such as marriages and birthdays
- Save enough to buy necessities in larger amounts at lower costs
- Plan ahead to buy necessities when the prices are lower
- Buy less on credit
- Carry less money or save money in a safe place; the temptation to spend it won't be there.

Ask the following questions:

1. **What are the day-to-day pressures that make sticking with recommended spending priorities difficult**? (E.g. the income only covers the most basic necessities and there is nothing left to pay off debt or save; husband's pressure leads to unplanned spending)
2. **What makes it hard to stay within a budget?**

Step 2 - 35 minutes

Divide the participants into small groups of four, each group selects one or two pressures/ difficulties (results from step 2) and identify possible and applicable solutions to overcome them.

Give each group two minutes to present their ideas. Make sure that there are no overlapping ideas mentioned and discuss any unrealistic solutions. Keep a list of ways to stay within a budget.

Step 3 - 30 minutes

Ask participants to listen to two stories of Neary and Chantha (see training aid 19). You can invite two participants to read the stories. At the end of each story, ask how Neary/Chantha manages to stay within her budget.

What did Neary do to stay within her budget? (Remember what was planned in her budget and stayed with the plan; put savings out of reach so it was not easy to spend; set aside some money for unexpected expenses.)

What did Chantha do to stay within her budget? (She kept track of her spending so she did not spend more than budgeted; when she overspent on some things, she cut costs on others.)

Add more ideas to the list developed in step 3.

Step 4 - 20 minutes

Ask the following questions:

1. **How did Neary and Chantha control their temptation to spend more?**
2. **Have you ever tried similar ways to stay within your budget? Did they work? Why? Why not?**
3. **Who, men or women, are more committed to stay within their budget? Why?**

Tips for trainers:

How to stay within your budget:
- Remind yourself often 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 for one item, spend less for something else
- Make a list of ways to cut planned expenses
- Get the family to participate in developing and sticking with the budget
- When investing money in business, consider what to do if the investment fails.

Step 5 - 10 minutes

Ask the participants to turn to the next person and answer the following: **What is one thing you learned today about staying within your budget that you can apply at home?**

Training Aid 19: Stories of Two Women Trying to Stay within their Budget

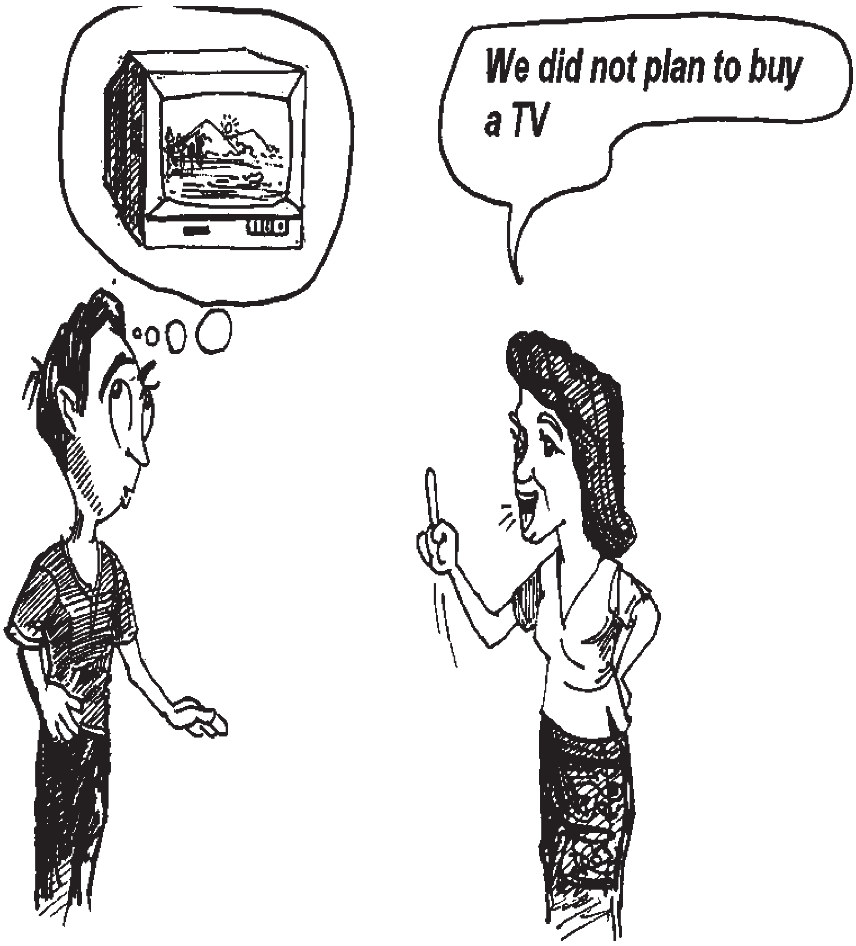
Neary's Story

Neary made a budget with her family. She was at the market a week or so later and a close friend wanted to sell her some beautiful clothes she had recently purchased in the city. Neary was tempted but remembered that there was no money for expensive clothes in her budget. She was also glad she had put her savings in her account with the Village Bank so it was not readily available. Later that week, her children broke her cooking pot. She was able to buy a new pot with some money she had set aside for unexpected expenses.

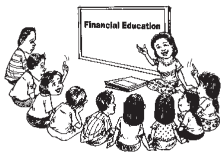
Chantha's Story

Chantha had many expenses during Khmer New Year. She planned for this in her budget. During the season, she purchased gifts for family and friends and special foods. From time to time, she added up her expenses to find out how much was left in her budget. She realised that she spent more on gifts than expected, so she looked carefully at her budget. She had put an amount in to buy a new dress. She decided to spend less on the dress to make up for overspending on gifts and food.

Training Aid 20: Ways to Control Your Temptation



Module 9: Making a Savings Plan



Trainer Note

Learning Objectives

By the end of this session, the participants will have:

- Practiced making a savings plan
- Completed an action plan for increasing their own savings

Session plan (70 minutes)

Step 1 - 15 minutes

In session 2, participants set their financial goals and in session 6 they identified savings products that match their savings goals.

Ask the following questions:

- **Have you got a complete savings plan? What do we need to do next to complete the savings plan for your family?**
- What is still missing? (lump sum needed for each goal, when needed, amount of savings required per month/week)

Step 2 - 35 minutes

Ask individual participants or pairs of two to develop a complete savings plan based on the example in training aid 21.

When finished, ask them the following:

- **Look at your lump sums needed. Do you think that you will be able to save the lump sums needed for each goal at the specified time?**
- **What do you think about the possibility of your family achieving these goals?**

Step 3 - 20 minutes

Ask the participants to compare their budget with their savings plan. Ask them to check their monthly expenses and income, if it is positive or negative. **What do they need to adjust? Spend less on un-necessities, work harder to earn more money? And in that case, who can work harder, the husband, the wife, or other family members?** Give them some time to do work on it.

When finished, invite one or two participants to present their saving plan. Encourage the rest to observe and give comments as much as they can.

Training Aid 21: My Savings Plan

Savings goals	Lump sum needed	When needed?	Amount of savings required per month/	Ranking of importance
Short-term				
Education fees				
Emergencies fund				
Long-term				
House renovation				
Total savings required				

CONTENT NOTES

A. Gender equality

Gender equality is about giving women and men equal rights, responsibilities, workload and decision-making power. Women in Cambodia are usually given the responsibility to manage the household budget. This doesn't always mean they have the power to decide how the household income is spent. In some households, the wife administers the money, while the husband makes major financial decisions.

It is important for women to participate in decision making alongside men on the distribution of resources within the family, because the family welfare, quality of life and happiness depends on the equitable distribution of resources. A happy family is one in which every member enjoys an equal and fair share of resources and has a say in matters that affect their livelihood and their future.

Microfinance institutions usually have more women than men as clients. Women, all over the world, have proven to be better re-payers. This, again, doesn't mean that women decide on how the loan is being used. There are many instances in which the husband decides how the loan is spent, while the wife is left with the responsibility to repay. When the loan is not used for good purpose, the wife may end up with an increased workload in order to clear the debt.

Sound financial decision-making within the household must be done by the husband and the wife on equal terms. Equal terms means that husband and wife have equal access to information and an equal say in decision making. This training course aims to enhance the decision-making power of women within the household, by increasing women's knowledge on financial management and by making women and men aware of existing inequalities, their results and how they can improve this.

B. Budget

Definition: "A budget is a plan that lays out what you will do with your money".

A budget is a fairly simple tool that anyone, rich or poor, can use to manage money. A budget serves as a master plan for the future. Budgets are a road map that can help you get from where you are now to a financial goal down the road. Financial goals can be short-term, such as getting out of debt, meeting day-to-day expenses without borrowing, paying school fees, or saving for a special need or desire. Goals also can be long-term, such as saving for a house or retirement. Making a budget will help allocate your resources to meet multiple goals.

You can do three things with your money: spend it, save it, or invest it:

- You spend money for day-to-day needs such as food, housing, transportation, clothing, healthcare, debt repayment, and discretionary expenses such as tea, movies or vacations.
- You save money for unexpected emergencies, unexpected opportunities, or to meet short- and medium-term financial goals.
- You invest money in business ventures to earn income over the long-term.

The best advice for how to manage these three parts of your financial life is simple to say but harder to accomplish:

Spend wisely,
Save regularly,
Invest prudently.

These are the fundamentals of money management. A budget will help you allocate your money across these three categories and make your daily money decisions a little easier.

"A good budget helps you to pay for what you need and save up for what you want in life."

The benefits of making a budget

A budget:

- Eases decision-making about spending and saving
- Encourages cautious spending
- Encourages disciplined saving
- If followed, helps you to control of your money

How do you make a budget?

1. Keep track of your income and expenses

The first step is to keep careful records of the money coming into your household (income from all sources) and the money going out (expenses). You can then use this information to create a cash-flow statement that shows where your money comes from and where it goes during a specified period of time. In order words, it tracks the flow of your income. Analysing your cash-flow can help you figure whether your expenses are greater than your income. It will help you identify where you can cut back on spending and ways you can save more.

To make a cash-flow statement, select a recent time period - a week or a month - for analysis. List all your sources and amounts of income during this period. Your total income should include any of the following types of income that pertain to your household: your salary after all deductions, average business income, spouse's income, other household members' incomes, rental income, remittances and any other sources of income. If you have a source of income that comes in only periodically (e.g. quarterly, or twice a year), you can estimate how much it amounts to over one year, and divide by 12 to determine how much this income would be on a monthly basis.

Next, list your expenditures, including necessities (food, housing, clothes, transport, etc.), debt repayments and optional expenditures. Do not include extraordinary or one-time expenses, only these expenses you typically have during this period.

Finally, subtract the total expenditures from the total income. The result is your net income - the difference between your income and expenses during the period.

Repeat your record-keeping over several periods (weeks or months) so that you can identify the differences between periods and come to know the fluctuations in income and expenses. When are you likely to spend more money than you have coming in as income? When is your income higher? Can you save more during those periods? When are your expenses higher? What irregular expenses do you have? Are these necessary expenditures?

2. Create budget categories that are appropriate for you

Once you have estimated your monthly net income (Step 1 above), the next step is to think about appropriate categories for your budget. You must decide how specific or general to make each category. Keep it simple. The two most basic budget categories are spending and saving. Figure 1 shows some of the specific items under each of these categories.

Figure 1: Possible budget categories

Spending	Savings
- Necessities (housing, school fees, health, utilities, food, transportation, clothes) - Debt management (loans, hire purchase, other debt) - Discretionary expenses (entertainment, social contributions)	- Emergency fund - Short-term savings - Medium-term savings - Long-term savings

3. Set your financial goals

Goals can vary - from meeting basic needs, to getting out of debt, to educating children, to buying a house. Some are short-term to be accomplished quickly, others are long-term. Once you decide on your priority goals, figure out the cost of each and set a time frame for achieving it. Next, estimate how much you must allocate to savings every month to achieve each goal. If this amount is more than you think you can afford, make adjustments - extend the time you need to save the desire amount, reduce the cost, or change the goal.

Figure 2 provides an example of financial goals. For example, you want to save 300 000 Riels each month towards your short short-term goals. Looking at the amount you have available for saving, a shortfall is evident. With your current income and expense, you cannot save as much as you want to each month. You can adjust your saving goals, saving less for each specific goal and extending the time it will take you to accomplish them. And, you can look hard at your expenses to find places to cut down in order to free up more of your income for saving.

Figure 2: Your Short-Term Financial Goals

Goal	Cost	When?	Savings per Month
1) House Repairs	400,000	in 24 months	16,666 Riels per month
2) School Fees	240,000	in 6 months	40,000 Riels per month
3) Son's Operations	2,000,000 Riels	in 4 months	500,000 Riels per month
Total savings needed per month: 556,666 Riels			

4. Allocate your income across your budget categories

If your cash-flow statement provides a good and detailed estimate of your current income and expenditures, you should be able to identify opportunities to reduce spending and save more. When you allocate money across budget categories, consider your priorities and financial goals. If you do not have enough income to pay for daily necessities, repay debt and save for specific goals, you know that you will need to make adjustments in the budget. You can reduce your costs (for examples, use less expensive materials to repair your house) or extend the time for achieving your goals (give yourself 18 months instead of 12 months to save for house repairs). Be realistic. See Figure 3 for an example of a budget.

Figure 3: A simple budget forecast

Spending		Savings	
- Necessities (housing, food, etc.)	60%	- Emergency fund	10%
- Debt Repayment	10%	- Short-term savings	5%
- Discretionary expenses	10%	- Long-term savings	5%
Total spending:	80%	Total savings:	20%

What Other Factors Will Influence Your Budget?

1. Your money personality

Your past behavior in managing money is a reflection of your money personality. Are you a hoarder? A spender? A money avoider (such a person may spend easily but understand little about money)? A money amasser? A risk taker? A risk avoider?

Most people are a blend of more than one personality. Knowing your "personality" can help you counteract tendencies that may get in the way of achieving your financial goals.

2. The "financial phase" of your life

The amount of money coming in and amounts you allocate to spending, saving, or investing varies at different stages of life. When you are young, you will spend most of your money on education and social events. As you reach middle age, you will be able to save more. If you become older, falling income may force you to save less and spend more. When you make a budget, think about the financial phase of your life.

Over time, changing circumstances may require you to revise your budget. If your income goes up, you can allocate more to savings. If your income goes down, you may have to save less in order to pay for basic necessities. If you have another child, you may need to save more for food and education. If the price of basic needs goes up at a faster rate than income, your budget will need to be adjusted. Monitor your budget regularly so that you are prepared to adjust it in response to your changing circumstances.

Good budget planning will also sometimes fail. Failure is generally due to (1) a serious emergency (a natural disaster or sudden illness) that forces unplanned spending; (2) lack of commitment or self-discipline by yourself or your family members; or (3) unrealistic goals. For emergencies, you can protect yourself against the negative impact of unexpected events by creating an emergency fund that is part of your budget. As you learn about and understand money and finances, you will be able to set more realistic financial goals and find the self-discipline to achieve them.

How do you stay within your budget? Discipline! Making a budget is a simple talk. Anyone can do it. But following a budget, and sticking to it, can be much harder. It takes discipline! You must respect each part of the budget, from establishing financial goals, to controlling your spending, to honoring your commitment to save. The following guidelines will help you find the discipline you need for each aspect of your budget.

For setting financial goals:

- Set specific short- and long-term goals for your money.
- Set yourself and your family at least one goal that you can reach quickly to reward the savings habit in your family.
- Review financial goals and budgets over time.

For spending:

- Reduce what "goes out" as a key form of saving. Wise spending helps you save.
- Make a list of all the possible ways to spend less on daily expenses. You can save more over time by cutting back on regular day-to-day expenses than by cutting back on one big-ticket item.
- Keep track of how much you spend on everything.

For saving:

- Save first! Follow the 10 percent rule - save 10% of your family income. One strategy is to save first and then think about how to spend what's left over. Easier said than done, this strategy is a good way to achieve your financial goals.
- Save 3-6 months worth of family expenses in an emergency fund at a safe place before you allocate saving for other purposes. This will protect you in case of family illness or unemployment and reduce your reliance on short-term debt to meet emergency needs.

- Keep savings out of reach. If you keep yours savings at home, you are likely to have pressure from your family members to spend that money for recreation.

For investing:

- When you are considering an investment, identify the nature and psychology of its associated risk. You can think about risk as a matter of chance, and ask, "What are the chances that I will make a big profit or suffer a big loss? " But a second aspect of risk is much more important, "What are the consequences of taking this risk? " In order words, what will happen to me if the investment fails?
- Figure out your tolerance for risk. Remember other occasions in your life that involved taking risk. How did you handle those? How did they make you feel?

C. Savings: You Can Do It!

Definition of Saving

Savings is money put aside by an individual or household for use in the future. A key to good money management, savings help individuals and households manage risk, deal with emergencies, smooth income, build assets, and meet financial goals.

Reasons to Save

There are many times when poor people need sums of money that are bigger than what they have in hand. The need for these "usefully large lump sums" arises from life cycle events such as birth, education, marriage and death, from emergency situations, and from the discovery of opportunities to make investments in assets or businesses. The only reliable and sustainable way they can obtain these sums is to build them, somehow or other, from their savings.
You can use savings to meet both expected and unexpected needs. They help to smooth cash flow, allow for optional expenditure, and invest in assets and businesses. In case of emergencies and crises, savings enable you to respond immediately and prevent the loss of income or property.

Savings play a key role in meeting financial goals. These can include short-term goals (weeks or months) such as buying stock for a business or paying school fees, medium-term goals (1-3 years) such as home improvement expenses or a visit to the family; or long-term goals (over three years), such as to buy a house or save for retirement.

Ways to Save

You can choose to save through formal, semi-formal or informal institutions, and in the form of cash or non-cash.

Non-cash forms of saving are assets, such as jewelry or livestock that can quickly and easily be converted to cash and generally retain their value. Land is also an asset in which you can invest and hold your savings. Land retains its value but is more difficult to sell and buy again than livestock.

Informal savings include saving cash at home, which keeps your cash very accessible and allows you to avoid the transaction costs associated with saving at formal savings institutions. This form of informal savings has two significant disadvantages: the temptation to spend the money and the risk of theft. You need strong discipline to both avoid spending these savings yourself and deny the pleas of other family members. Furthermore, money saved at home does not earn any interest, and thus may lose value over time.

Semi-formal savings encompass deposit collectors and group savings mechanisms, including rotating credit and savings associations (ROSCAs), village banks, solidarity groups and self-help groups. Familiar and simple, the group mechanism encourages discipline, scrutiny and support among members. The advantage of ROSCAs is that each member receives a lump sum of money at one time, with no loan or interest payments. However, a corresponding limitation is that members typically do not earn interest on money they have saved. Members of self-help groups borrow from their collective savings with the obligation to repay with interest, but they also receive periodic dividends. Limitations of group savings include instability of the groups, disagreements among members, and limited access to funds.

Formal savings involve financial institutions, including banks, credit unions, cooperatives, post offices or microfinance institutions, and offer another widely used option for saving cash. Savings in these financial institutions are generally safe and earn interest. They offer a range of savings accounts tailored to different financial needs. However, the requirements for opening and maintaining an account such as minimum deposits, user fees, and withdrawal requirements can be costly. These requirements are challenging if you make small, frequent deposits or withdrawals. Limited bank hours may make it difficult for you to access your money quickly in the case of emergency. Finally, where banks have failed, people tend to lack confidence in them.

Savings Options at Formal Financial Institutions

Formal financial institutions offer a wide variety of savings products.

Regular or passbook savings (savings account)[2] is the most widely used type of account for regular transactions because the timing and amount of deposits are flexible. Withdrawal is usually flexible as well, although sometimes you need to give some days prior notice. Typically, you are allowed a set number of "free" transactions each month, and will be charged a fee for any additional ones. In exchange for the right to make frequent transactions, the bank pays very low interest on passbook savings accounts. Account transactions are tracked through a passbook, and a minimum deposit is usually required in order to open the account. This account is appropriate when you need to make regular deposits and withdrawals, and require easy access to your savings.

Contractual savings are an alternative form of savings that require you to deposit a fixed amount on a regular basis over a pre-determined period of time. Although contractual savings can be structured in many ways, access to savings often is restricted until the contract is fulfilled, and you will be charged a penalty for withdrawing your funds early. This type of account will be useful if you have a regular source of income that enables you to meet a commitment to save at regular intervals for future goals.

Time deposits require a fixed sum to be deposited for a pre-determined amount of time and interest rate. They are not accessible during this period of time, but generally yield a higher interest rate than regular or contractual savings. You may be interested in this account if you receive a lump sum of money that you do not need immediately. To save for a future goal and earn maximum

[2] Banks often offer both savings accounts and current accounts. Savings accounts are usually the better option for poor families, since they give a higher interest rate. However the number of monthly transactions that can be made is often restricted, and sometimes clients have to give prior notice before they can withdraw their savings. Current accounts do not have these restrictions, but pay lower interest rate. Current accounts are therefore the better option for business people who need to make many transactions each month.

interest, you can use this account to place that money out of reach for a pre-determined amount of time. You choose how long that period will be based on your estimation of when you might need the money. Time deposits vary from six months to 10 years, and typically, the longer the time period you choose, the higher the interest rate will be.

Important Factors for Deciding Where to Save

When deciding where to save, consider the following terms:

- Deposit requirements for the savings account. Is there a minimum deposit required to open the account? Is there a minimum balance required to keep the

account open? Are small deposits accepted? Can variable sums be deposited? Can deposits be made frequently? What paperwork is required?

- Terms of use. Is the saving program compulsory or voluntary? Do you have to commit to saving a set amount at regular intervals or over a certain time period? Are there rules about how much you must deposit and when? Are there rules about how much you are allowed to withdraw and when? Can you withdraw the money at any time without penalty?
- Cost. What fees are charged for deposits, withdrawals, or passbooks? Some forms of saving may lose value during times of inflation or economic instability. You need to consider such costs even though they do not involve payment of actual fees.
- Access/Ease of use. Is the account convenient? What are the institution's hours of operation? Is it open at convenient times? How far is the institution from your home or workplace? Are transactions quick and confidential? What is the quality of customer service? Is the atmosphere comfortable and friendly? Are there long lines at the teller windows? Is information on the account easily available? Does it provide statements? Are they easy to understand? Are the application procedures easy to follow? Does it have an ATM network?
- Safety. What is the reputation of the institution? Does it have insurance or other guarantees to safeguard funds? Are the telephone or electronic transactions safe? Is the bank or its branch located in a safe neighborhood location?
- Liquidity. How easy is it to withdraw funds from the account? Can the full amount be withdrawn? Are fees charged if the funds are withdrawn before a specified date?
- Interest. Will your savings earn interest? If so, how much? How and when is the interest paid? What is the difference in interest rates earned across different types of savings products or plans?

How to Make a Savings Plan

A savings plan is a critical tool for managing money to meet short-, medium-, or long-term financial goals. To make a savings plan, follow the steps outlined below:

1. Set savings goals.
2. Figure out how much you need to save over what period of time to meet your savings goals. Set a savings target.
3. Figure out how much you are earning over this period of time, the regularity (or irregularity) of your earnings, and how much you can expect to save on a regular basis.
4. Identify which expense you can cut back (for example, video rental, cigarettes, or tea breaks) and reallocate this amount to your savings.
5. Decide where you will save. Identify places to save, available savings products, and their pros and cons.

6. Plan how much and how often you will save. For example, you could put a specific amount aside in an envelope when you are paid or at the end of each business day and keep it in a safe place until you are able to take it to the bank. Go to the bank on a set day of the week or month. If you are a wage earner and your employer is linked to a bank, consider a deduction from our paycheck that is automatically deposited into your savings account.
7. Keep track of your savings. Monitor progress towards your saving target on a regular basis by checking the amount you have saved and how close you are to your goal. Check bank statement, or passbooks, or other sources of information on your savings.

Rules of Thumb for Savings

While basic principles of money management can apply to everyone, decisions to save or consume depend very much on your level of income, access to loans, access to appropriate savings products, and personal discipline. Nevertheless, there are a number of rules of thumb that you can use to guide decisions about savings and consumption.

- Save as you earn.
- Save as much as you can as soon as you can. The more you save, the better off you'll be.
- Try to save 10% of your income even if you don't have a specific purchase or investment for which you are saving.
- Put 10% of your earnings aside for savings before you do anything else. If you cannot afford 10% right away, start with less, but save something.
- Calculate how your money can grow over time if you save regularly in an account that earns interest.
- Don't carry a lot of cash - avoid temptation to spend it!
- Spend carefully. If you purchase big items, consider how much they would be worth if you would resell them. Look for opportunities to save money by bulk buying of non-perishables.
- Pay off your debts. Some people recommend paying down your debt before you start to save; others recommend saving even while paying down debt because it is important to begin building assets as soon as possible. This choice will depend on individual priorities, situation, and means.
- Keep three to six months of living expenses in an emergency fund at all times. It can be used in case of job loss, unexpected illness, and to meet other emergency needs. Saving for emergencies will reduce your anxiety.
- Keep emergency funds in a separate account. Open two savings accounts- one for emergencies that is easy to access and does not have any penalties for withdrawal, and one for savings for other goals that is harder to access (and therefore less tempting to withdraw the money). Keeping some savings "out of reach" is important.

D. Debt Management: Handle with Care

When you borrow money, you enter the world of debt. It has rules, players and strategies. One of the best things you can do for yourself is to learn how to use debt well.

Components of Credit

If you borrow money from a bank or other formal lender, you will hear the following terms associated with your loan. It will be important to understand what each means for your specific loan.

- Loan size: The amount you borrow.
- Loan term: Period of time you have to use the loan money and repay it.
- Interest rate: Percentage of the total loan amount charged to the borrower for the use of money borrowed. Interest is usually charged on a monthly basis.
- Fees: Administrative charges in addition to interest which are usually paid once, at the time the borrower takes the loan.
- Grace period: Period after receiving a loan and before the first payment is due.
- Repayment schedule: The frequency of loan payments (e.g. weekly biweekly, monthly).

Why Borrow?

We need to borrow money for many reasons. Mostly, we borrow to:

1. invest
2. respond to an unexpected emergency
3. meet basic family needs (purchase an item for which we do not have enough money at present

A loan provides you with a sum of money that might be difficult to obtain otherwise. It enables you to take advantage of business opportunities, respond to emergencies, make home repairs or purchase something you need. But borrowing money can be expensive and carries obligations to repay on time. For these reasons, taking a loan is not the same as using your own money that you may have through wages, business profits or savings. The chart below outlines the advantages and disadvantages of taking a loan.

	Taking a Loan	**Using Your Own Money**
Advantages	You gain access to more money than you have in savings. You get money quickly when you need it for emergencies.	You avoid the costs of borrowing. You are free to use your money as you wish. You face less risk when you finance your business growth in smaller increments based on what you can afford to invest. You avoid the obligation of future loan repayments.
Disadvantages	You bear the cost of borrowing (with interest, fees and time to apply). You are responsible for repaying your loan on time, and face penalties for late payment. You must meet the requirements of group membership (attend meetings on time, etc.) if the loan is through a group.	You have limited access to needed capital. Your business grows more slowly. You have limited ability to respond to opportunities.

Risks

For every borrower, debt is a risk. If you cannot repay your loan, there will be consequences! Even with careful planning, you may have problems making loan payments. Many unplanned events can turn this risk into reality, such as the following:

- When your income is interrupted due to illness or absence from work
- When the investment of the loan results in a loss
- When your household and business expenses are greater than your income
- When unexpected events create an urgent demand for cash (e.g. to pay doctors' expenses, funeral costs, etc.)

Situations like these are common among the poor. Yet, loans must be repaid, regardless of whether you are rich or poor. If you face difficulties making your loan payments, what are your options?

To get the money for loan payments, you might need to reduce your spending or sell something of value. You can ask your friends and relatives to help you, but there is a risk that you will eventually "use up" their goodwill towards you and lose your good reputation.

If you fail to pay altogether, or default on your loan, what are the consequences? You may lose access to sources of credit in the future. You may strain relationships with other members of your credit group; you might suffer humiliation in the community and lose the goodwill of your friends and family. Defaulting on a loan may damage your confidence and self-esteem.

Borrow Wisely

The risks that come with taking a loan should make you think carefully about when and how much to borrow. Loans can open new doors, but you need to know when taking a loan is a wise decision. Good uses of loan capital for business investment include the following:

- Purchasing inputs in bulk at a lower price that will increase profits
- Financing productive assets such as machines that help you improve productivity, i.e. a water pump that enables an additional harvest, or food-processing equipment that adds value to a crop
- Purchasing an asset that makes a new business possible, such as a cell phone or a refrigerator

Apart from these business loans, families will sometimes need to borrow for emergencies. These are risky loans, because they don't bring in extra income to repay the loans. In many cases though, the consequences of not borrowing in case a family member gets sick or had an accident may be even worse.

Use of the Debt	Good Debt	Bad Debt
Purchasing an asset for business	The asset outlasts the time it takes to pay off the lender. The income earned from the asset exceeds the cost of the loan.	Debt is still owed after the asset is outdated or broken or the income earned from the asset is less than the cost of the loan.
Working capital	The loan makes it possible to pursue a business opportunity that is profitable enough to repay the loan and have something left. The loan helps you save money on inputs or inventory and thus increase your earnings from the final product.	You cannot earn enough to repay the loan. You have other less-costly sources of financing. You cannot get the loan in time to take full advantage of a specific opportunity.
Basic family needs		Debt is still owed after the loan has been used. The loan didn't generate any income to pay back.
Emergency loan	The loan helps you solve an immediate problem without undue hardship.	The loan terms are too costly, or cannot be adjusted to your ability to repay.

The Costs of Borrowing

The main cost associated with a loan is the interest charged for the use of the money. This is usually calculated as a percentage of the total loan amount, and you typically pay it in monthly installments as part of your loan payment. In addition, many lenders also charge administrative fees which you usually pay once, when you take the loan. Interest and fees are charges that you pay directly to the lender. These "direct costs" are usually cash payments.

However, there are other expenses associated with borrowing that may not be so obvious. Sometimes applying for and taking a loan forces you to spend money for transportation to attend meetings or go to the bank to fill out application forms. These activities may take you away from your business, forcing you to close it or hire someone to "mind the store" while you are away. Although these additional "indirect costs" may not part of the cash loan payment, they are real and should be considered when choosing a lender.

Choosing a Lender

The cost of a loan will vary depending on the type of loan you seek and the lender's policies regarding interest rates, fees, savings requirements, and collateral. Before you borrow, compare the costs of the loan you want among several lenders.

Choosing a lender is not only about costs. You might also want to consider the following:

- Location (Is the lender close to your home or business?)
- Product offerings (Does the financial institution offer other types of loans or savings services that interest you?)
- Customer service (Do you feel comfortable there? Is the staff friendly and helpful?

Questions to ask a lender

- What types of loans are available?4
- What are the collateral requirements?
- What are the savings requirements?
- What is the interest rate?
- What fees are charged?
- What are the penalties for late payment?
- How long does it take to get a loan?
- How many times do you have to actually go to the loan office to complete the application?

How Much Debt Can You Afford?

Too much debt can cause serious problems. The term "over-indebtedness" refers to household debt that is too high relative to household income. How do you figure out how much debt is too much? Unfortunately, there is no rule of thumb about a safe debt-to-income ratio, although 20 to 30 percent of household income is widely used. Should your household always avoid carrying more than one loan at a time? Not necessarily, especially if you face a crisis and need cash urgently.

Before taking on a loan, you should consider both the costs and risks of borrowing. Answer the following questions based on your own circumstances:

1. What percentage of my household and/or business budget can I afford to make available for debt repayment? Will I have enough left over to adequately cover other household expenses?
2. Can my guarantors afford to repay my loan? How will they feel towards me if they have to do so?
3. What are the consequences if I cannot repay my loan? What is the value of the collateral (for example, a motorbike, house, etc.) I have pledged?

Controlling Debt

As a borrower, the debt trap can sneak up on you. Because it occurs slowly, you may not see it coming. Suddenly you owe more than you can afford to pay and the way out is nowhere in sight! You will be paying the interest continuously with little hope of ever repaying the loans.

The persistence of debt is one factor that keeps poor people in poverty. For most of us, living with debt has always been and continues to be a reality. Because your need for credit typically does not go away, you are likely to renew existing loans. In fact, given ever-changing circumstances, at some point you may need more than one loan at a time. This can happen when you are faced with an unexpected crisis and need cash urgently.

Whether managing existing debt, or deciding if you can afford to take a second loan, make sure your debt obligations will not control your life - that you will still be able to pay for your basic needs and daily expenses. Two simple rules will help you control your debt:

1. **Don't borrow more than you can afford to repay.**
2. **Save money regularly for emergencies so you do not always have to borrow.**