A background image featuring a pair of black-rimmed glasses, several stacks of gold coins, a black calculator with a green plus sign, and a silver pen. The scene is set on a white surface with various financial documents, including a bar chart with a blue bar, a line graph with a red line, and a circular gauge showing 62%. The text 'Financial Literacy' is prominently displayed in large, bold, blue letters across the center.

# Financial Literacy

# Financial literacy is

Your knowledge and skills on all financial activities including,



Identify revenue streams



Spend prudently



Save securely



Obtain loans that suit your needs



Invest wisely

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

# Session content

What is financial literacy?

Identifying income, expenditure and their management

How to save safely

Introduction to different types of loans

Calculation of loan interest

Protecting yourself during financial transactions

# Let's improve our financial management



## Income

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

## Expenditure

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

## Let's record income and expenses

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

## Benefits of investing wisely



Ability to achieve financial targets

Improve your financial strength



Develop your businesses

Make your dreams a reality



Become financially independent

Help others



Plan your retirement



Where can you  
**Save?**

# Different types of savings institutions

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

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

Rural banks

Cooperative Societies

Samurdhi/Divineguma Banks

Farming societies

Licensed microfinance companies

Licensed non-government micro-finance institutions



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

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

 Has a high level of trust

 Is of low risk

 Gives better return

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

Are the organization you  
save and your money safe?



# If you

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

# Why?

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

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



Are you looking for a place to save?

Things to consider  
before deciding to save

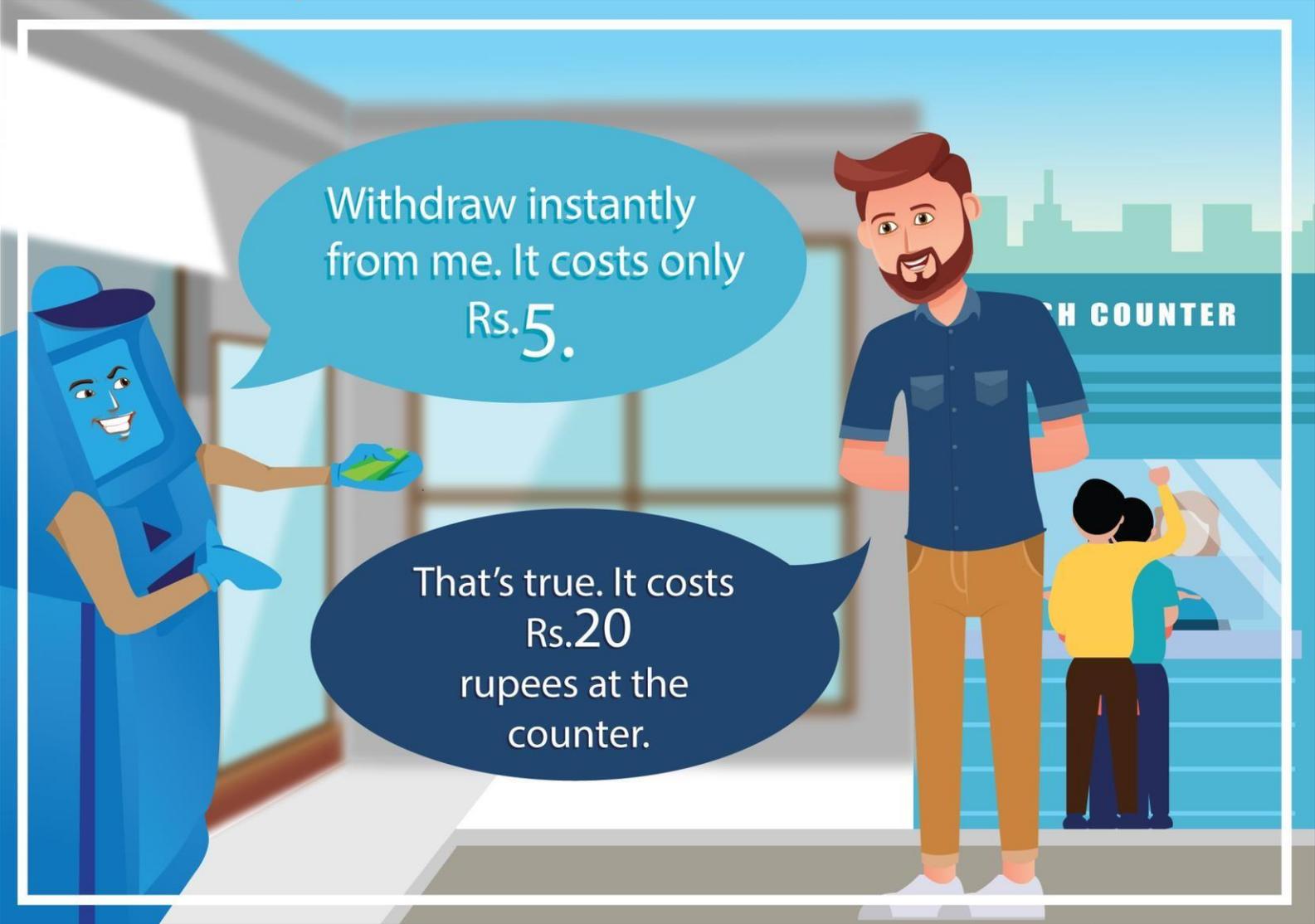
Stability of the place you choose to save at

Annual Effective Interest Rate

Match the savings duration with your objectives

Don't be fooled by attractive marketing

# Think before you waste your money..



By using an ATM card  
you can

- | Withdraw money at any time
- | Avoid queues at the bank counter
- | Transact from anywhere in the country
- | Check your account balance easily
- | Avoid filling in forms
- | Easily carry it around
- | In an emergency withdraw money from an ATM of another bank. It may cost less than visiting your own bank branch.

## When using an ATM card

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

Think before you leap!

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

How can you obtain the rewards promised in reality?



# Loans

# Types of loans





Educational loans



Business loans



Emergency loans



Housing loans



Vehicle loans



Cultivation loans



Mortgage loans



Personal loans

# Matters to be considered when guaranteeing for a loan

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

For  
attention

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

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

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

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

**Personal loans require guarantors**

# Interest Rates

Flat  
interest  
rate

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

Declining  
balance  
Interest rate

Interest is calculated on the  
remaining loan balance each  
period

**Rule of thumb:**

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

## Calculating the effective interest rate

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

Average principal outstanding

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

# Interest Rate

Nominal  
interest  
rate

Advertised or stated interest  
rate on a loan

Effective  
interest  
rate

Actual interest rate you  
pay for a loan

## Think before you leap

What you see is different from what you perceive.

Do you pay only the interest advertised?

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

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

Do you know what is the effective interest rate?

Do you know the importance of comparing interest rates now?

# Borrowings shouldn't lead to headaches

## Obtain

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

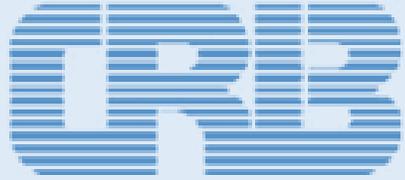
## Don't

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

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

Do you know about the **CRB** ?

## Credit Information Bureau of Sri Lanka



-Maintains credit and financial information on borrowers of lending institutions.

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



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

Building a healthy credit record in the



will make it easy for you get new loan facilities.

## Your credit score

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

### How is a credit score built?

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

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

**Higher Credit Score = lower Credit Risk**

Have you seen your credit report?

## CRIB iReport

### You can obtain it by making a payment

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

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



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



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# Why SMS?

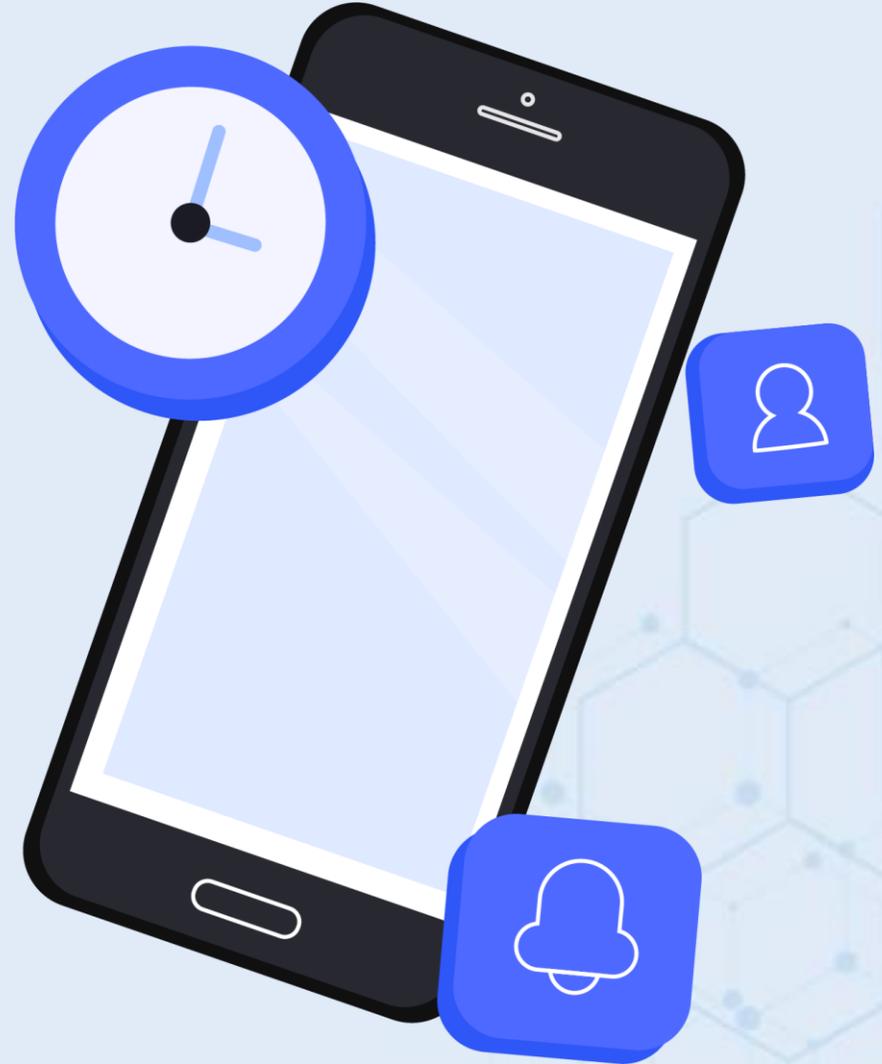


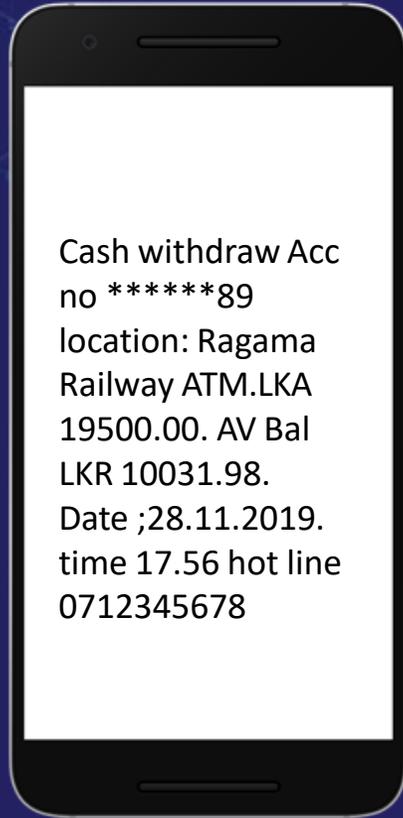
Saves your valuable time

You can get real time updates on your account transactions

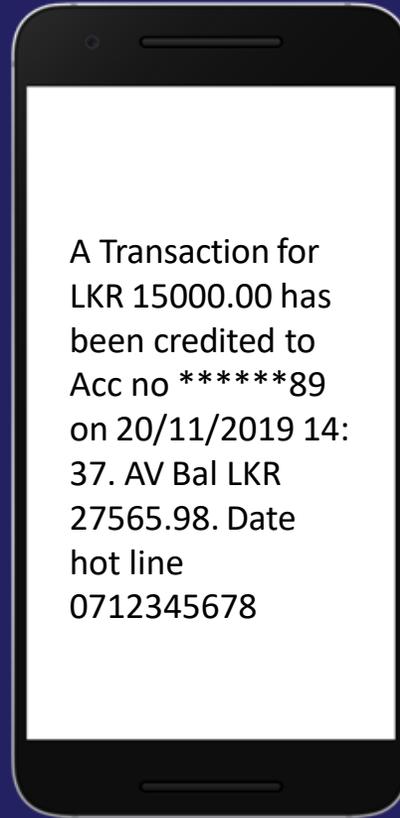
It notifies you about your upcoming loan instalment payments

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

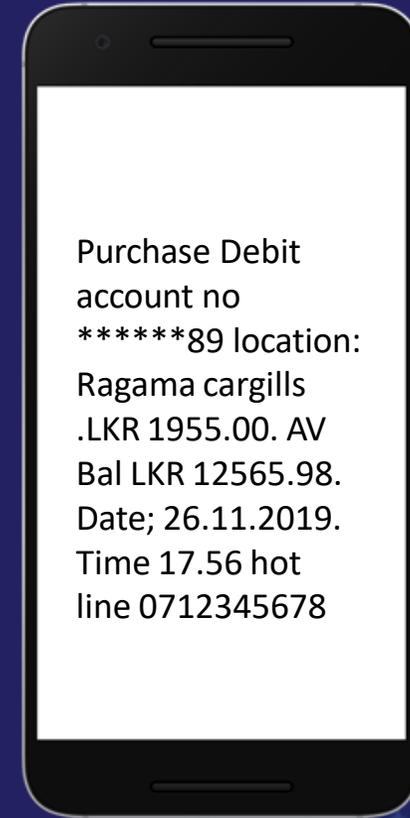




If you withdraw cash



If you deposit cash



If you purchase goods

You need to be cautious  
when signing.

Look before you leap!

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

What should you check for?

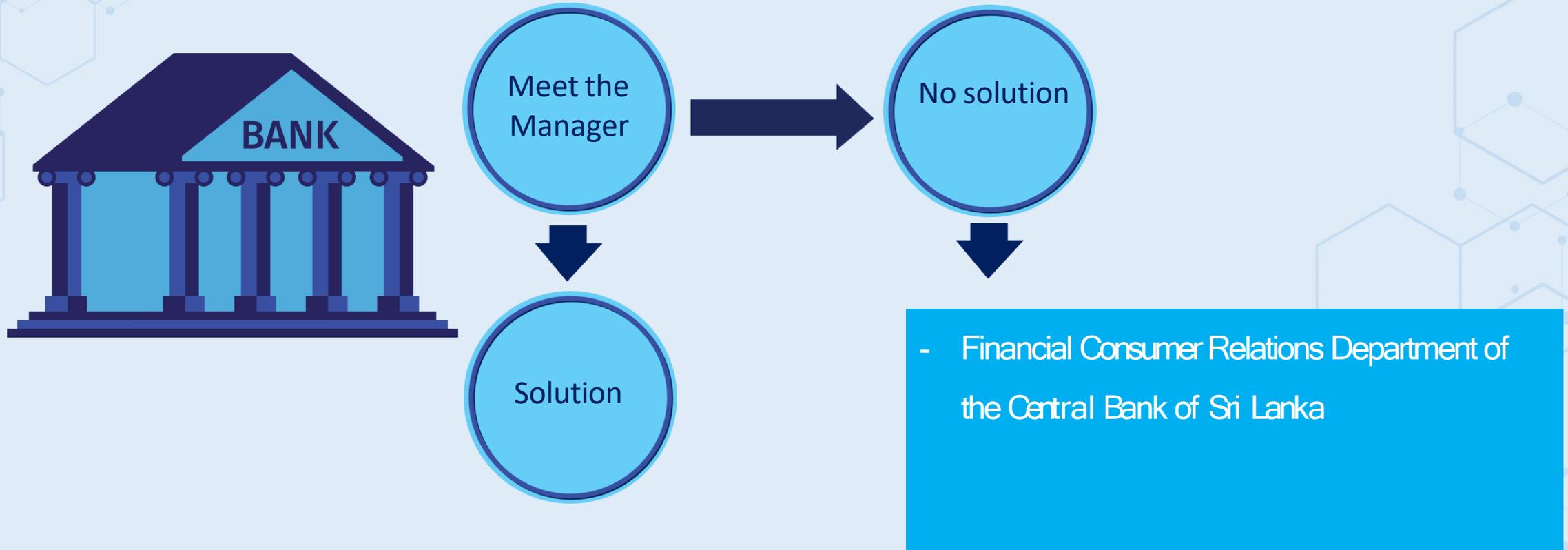
Do you understand the language?

What are the organization's terms and conditions?

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

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

# If you have any issue regarding your savings



# If you have an issue about your loan



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