

Financial Literacy for Women Entrepreneurs



Authors:
Deepthi Kc and Mudita Tiwari



Foreword

Funded by IMTFI (University of California, Irvine), IFMR LEAD (Institute for Financial Management and Research, Chennai) conducted a study in Dharavi, Mumbai - Asia's largest urban slum. The research was aimed at understanding the social, cultural and economic factors influencing modes of payments (cash versus electronic) used by small scale entrepreneurs. Our findings indicate a strong preference for cash, which is a culturally accepted payment mode for business transactions.

Our study particularly recognized women entrepreneurs as potential users of mobile banking services- if provided with relevant knowledge about these services. In our study region, a majority of women entrepreneurs had bank accounts and mobile phones. Despite bank accounts, women preferred using expensive and riskier informal saving mechanisms such as chit funds. Additionally, women had adopted several strategies to hide money at home - in food jars, pile of clothes, and so on, because their husbands squandered away savings on temptation goods, gambling and addictive substances. In addition, women did not actively use banking services because they were not confident about their financial skills or did not have necessary knowledge about the usage of banking products available to them. Thus, we hypothesize that low levels of financial literacy might be associated with low usage of banking services and high usage of riskier savings options among this group.



Foreword

We have designed context-specific financial literacy modules that not only aim to address the knowledge gap about financial products and services, but also the underlying behavioural biases impacting financial decisions. The modules are being developed as a series of “comic books” using a story telling approach.

We are using two relatable characters Saraswati and Radha, and their stories emphasize financial behaviour of two individuals in cashless versus cash-only scenarios. Using real life stories we have tried to document the financial adversities that women face, and how they resolve financial crisis through better financial management and by modifying behaviours impacting women's financial situation.

We have designed easy-to-understand visual and numerical illustrations of financial concepts, including importance of saving at a formal financial institution, money lost in delayed savings or lost interest, the power of compound interest growth, convenient options for banking via banking agents and mobile banking services. Additionally, we have tried to inform women about the (i) financial discipline, and (ii) approachable solutions that reduce savings inertia.

Each story ends with a question answer section and a review about the lessons learnt from the story. The question answer section asks respondents about the various topics in the story, and the lessons learnt section reiterates the important lessons learnt from the story. The purpose of this section is to solidify the lessons from each story using an easy to understand interactive style.



Table of Contents

Story 1: Importance of saving

During the monsoon season, a water-borne disease outbreak in the slum causes all the children –including Saraswati's and Radha's– to fall sick. The story highlights how Saraswati copes with the unexpected expenditure by using her Bank savings, where as Radha takes out a loan to pay for the unexpected expenses.

Story 2: How to prepare the budget

Radha recognizes the importance of savings and budgeting. She asks Saraswati how to prepare a budget to help save for family's needs. The story shows how a simple yet effective budget can be prepared.

Story 3: Issues with cash on hand

Both Saraswati and Radha are saving for Diwali. Saraswati deposits her savings with the Bank, whereas Radha hides her money at home. The story highlights the financial adversities that Radha faces from keeping cash on hand.

Story 4: Risk of saving with informal institutions

Saraswati deposits her money at the Bank, whereas Radha saves with a Chit Fund. One day, Saraswati's bank closes down. At the same time, savings collected at Radha's Chit Fund group get robbed. The story highlights the risk of saving with informal institutions, and the role of Banks and the Government in protecting investments.



Table of Contents

Story 5: Power of compound interest

Saraswati shares with Radha the importance of compound interest in building long-term savings. The story highlights the power of compound interest – the ability to earn interest on interest.

Story 6: Opening of bank accounts

Even though Radha wants to use the banking services, she is reluctant to open an account due to psychological and time constraints. Saraswati helps Radha by addressing her concerns, and highlights the importance of using banking services.

Story 7: Banking services

Despite having opened bank account, Radha still has her doubts about using it due to perceived inconveniences of long waiting lines at the Bank and time spent conducting transactions. Saraswati informs Radha about modern banking services that can be used to save time and improve convenience for banking customers.

Story 8: Engagement in Self Help Groups

Saraswati explains why Radha can benefit from her participation in Self Help Groups promoted by government and non-government agencies



Story 1

IMPORTANCE OF SAVING



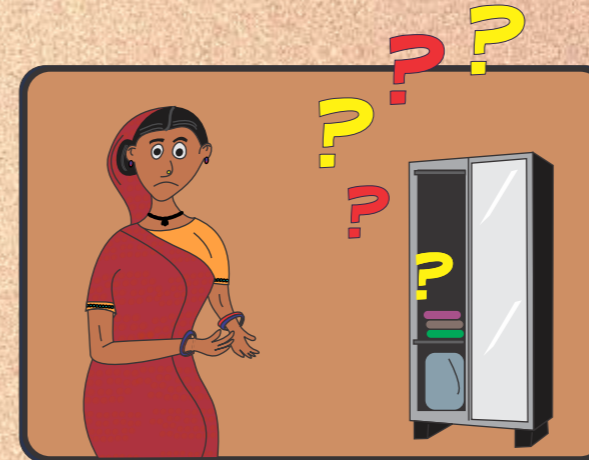
Story 2

HOW TO PREPARE THE BUDGET



Story 3

ISSUES WITH CASH ON HAND



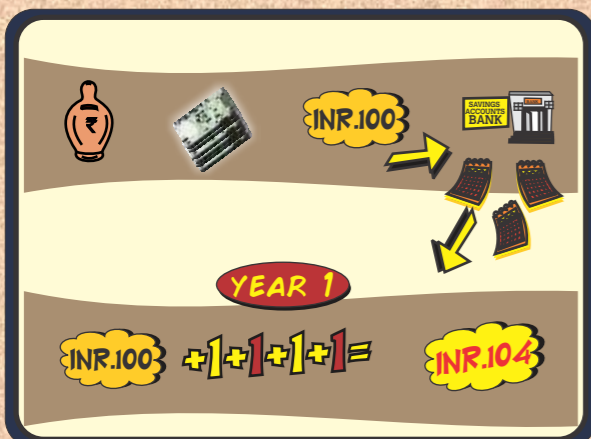
Story 4

RISKS OF SAVING WITH INFORMAL INSTITUTIONS



Story 5

POWER OF COMPOUND INTEREST



Story 6

OPENING OF BANK ACCOUNTS



Story 7

BANKING SERVICES



Story 8

Engagement in Self Help Groups (SHGs)



Story 1

IMPORTANCE OF SAVING



BANK

Saraswati and Radha are neighbors and live in urban slums of a big city. Saraswati is a vegetable vendor, Radha makes papad for a factory.



During monsoon season, due to water-borne disease outbreak in their slum, all children, including those of Saraswati and Radha, become sick.

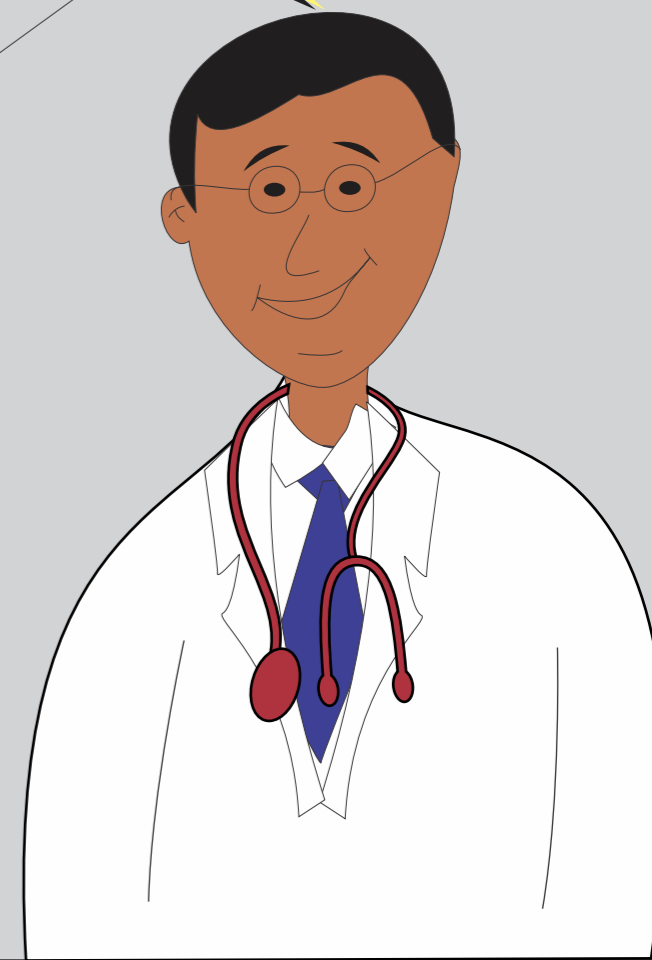


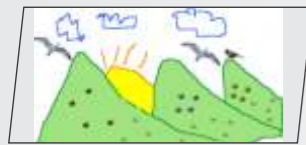
How will we pay INR 5,000 for the treatment? I don't have any money to pay.



AT THE HOSPITAL...

We need at INR 5,000 to start the treatment immediately.





I have INR 5,000 saved.

How is that possible?
You and I are always
together and I haven't
managed to save
anything.

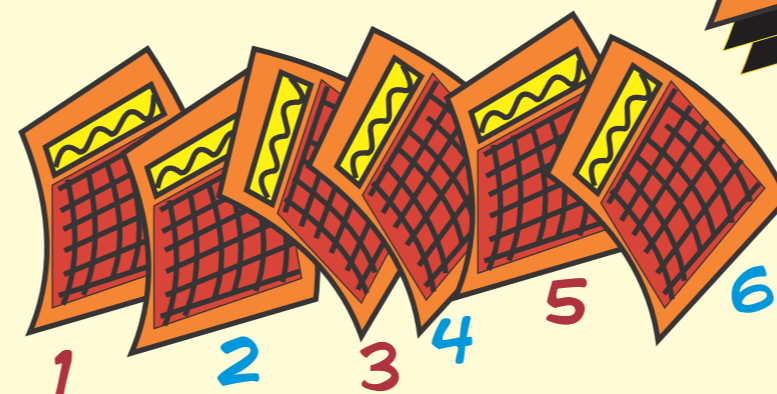
I have been saving INR 30
every day. Each month I am
able to save INR 900. In the
past 6 months, I have been able
to save nearly INR 5,500.



= 900

x 6

= 5500



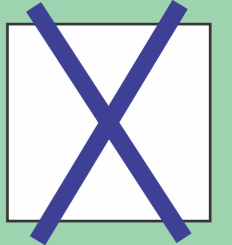
But how did you save money?

Instead of giving my children INR 20 for cold drinks and chips daily, I only give them INR 20 once a week for treats. It's better for their health. Fewer tooth infections, tummy aches and trips to the hospital.

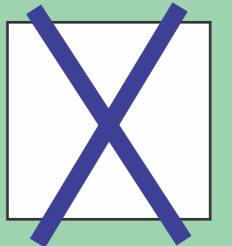
Instead of buying lunch outside, my husband and I pack our lunch dabba and save INR 10 daily on samosas and chai.

2014

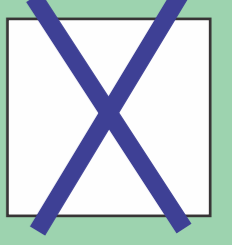
MON



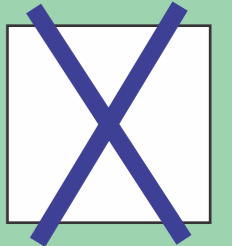
TUE



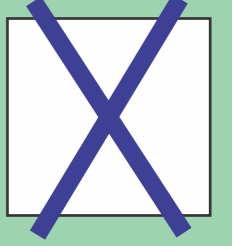
WED



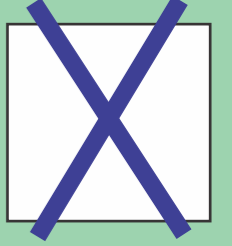
THU



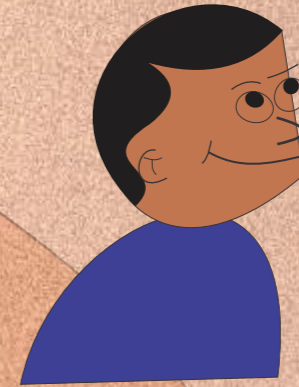
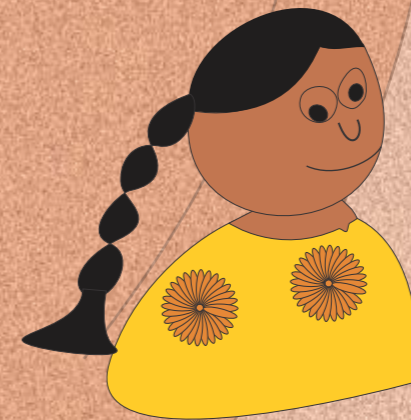
FRI



SAT

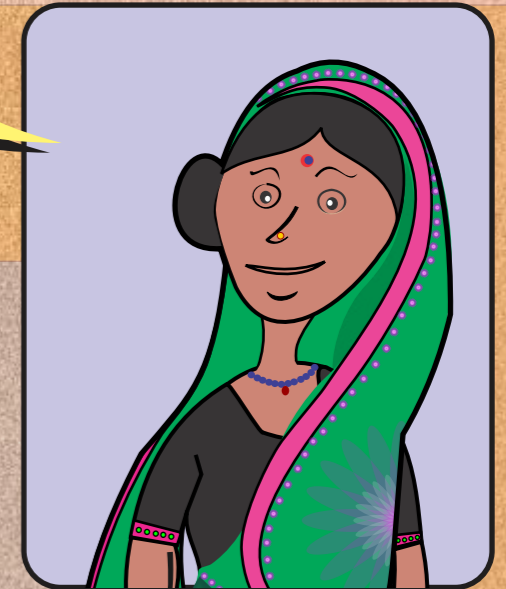


SUN



SCHOOL

I have taught my children to save money in their piggy bank.
They use their savings for school supplies.




My children may understand, but my husband and I always fight about money. My husband uses my savings on gambling and for buying alcohol & cigarettes.



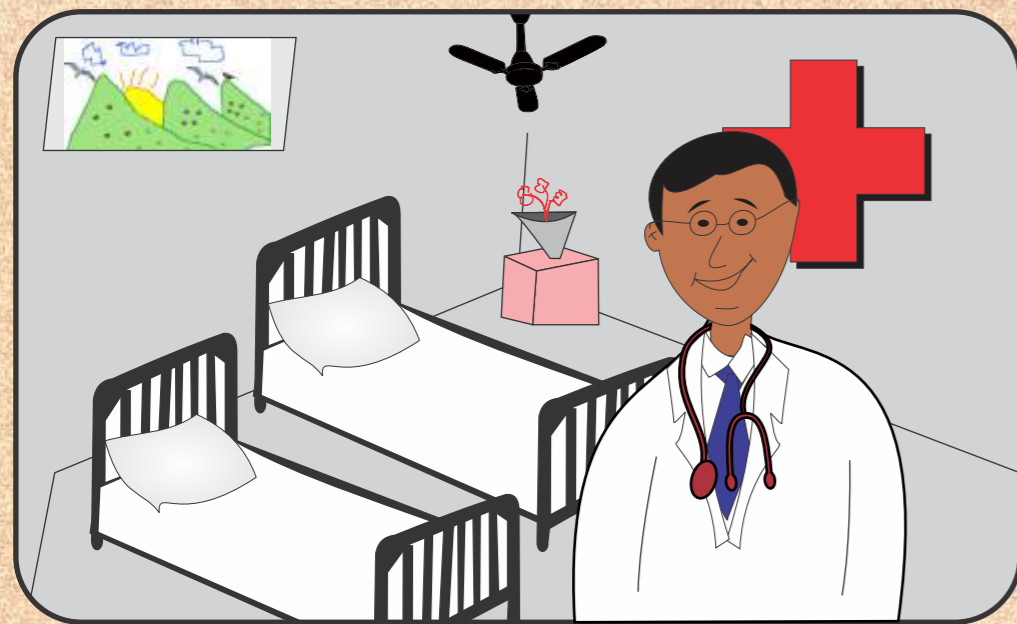
I hide money in clothes, in food cans or talcum powder cans. This is very stressful. If he finds the money he takes it. Once the rat ate all the money I hid in a rice can.





**Let me teach you
what social worker
Didi taught me.**

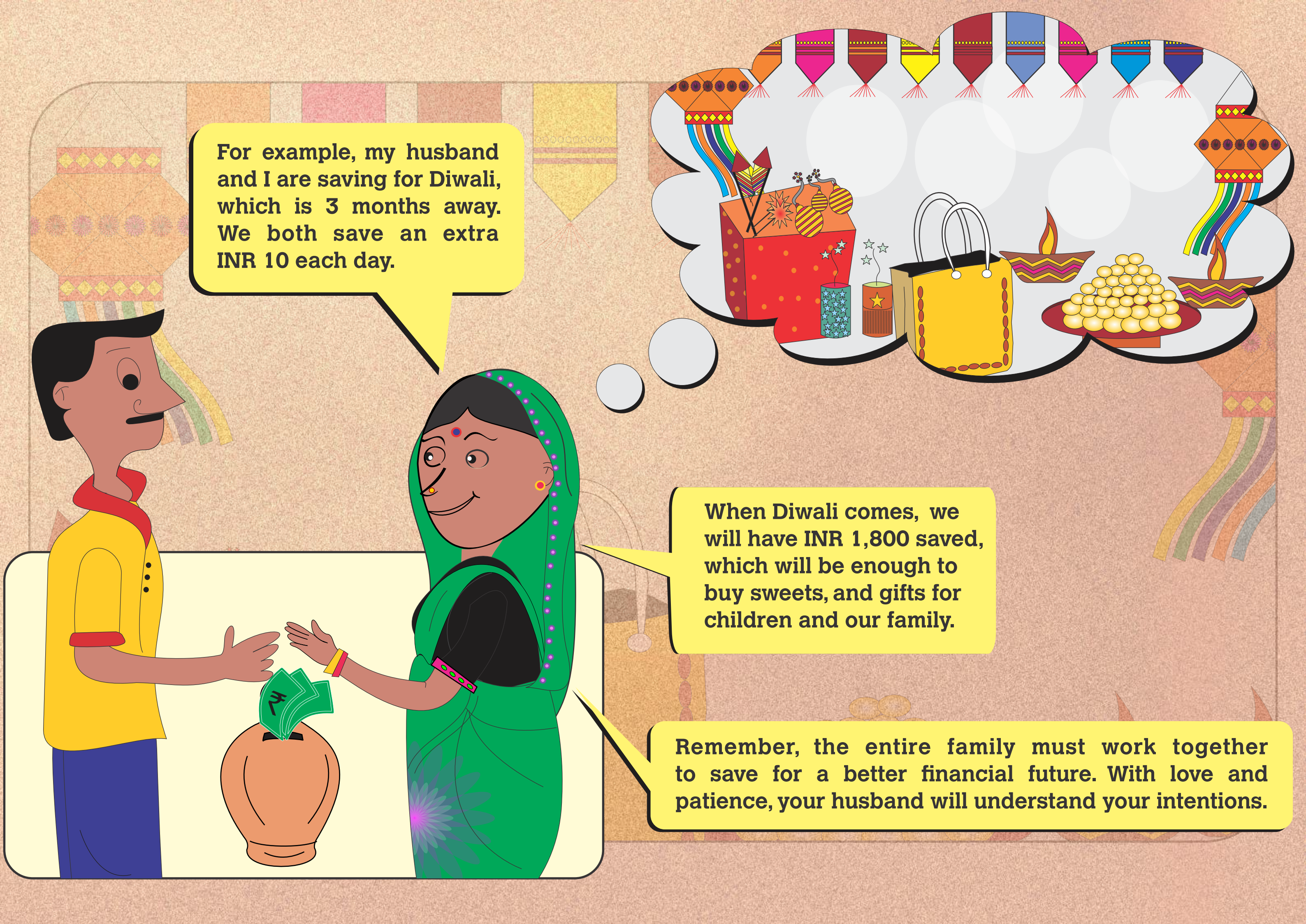
**Identify your expenses for the
month. Then make a simple
budget to see how your total
income will be spent on
various expenses.**



Don't fight with your husband; lovingly explain to him that you both must save together for the family's needs such as health, education and festivals.

Make savings goals so you can save for the future too. Reduce unnecessary expenses to stick to your budget.





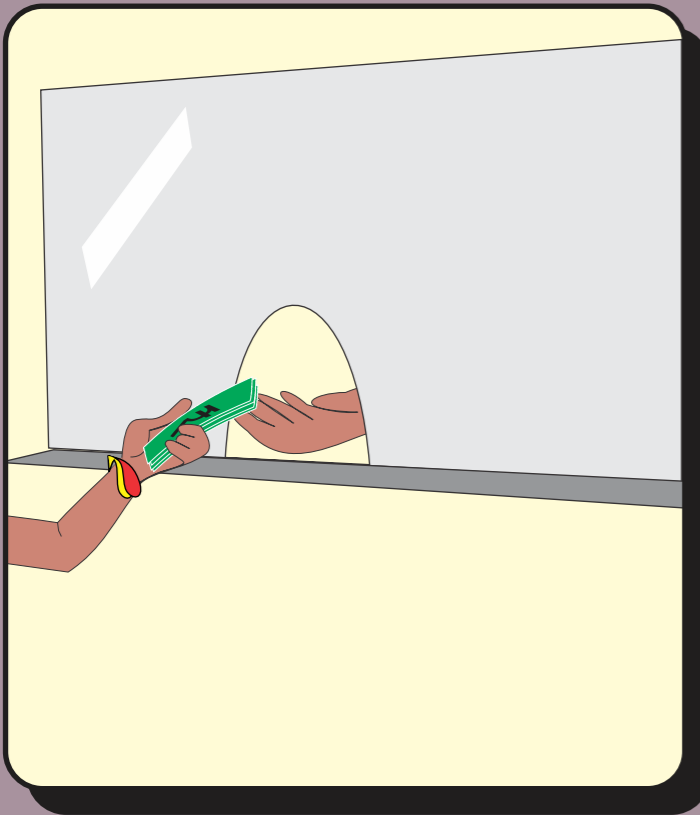
The illustration shows a man in a yellow shirt and blue pants standing next to a woman in a green sari. They are both smiling and looking at a large brown pot on the floor. The woman is holding a green banknote and is about to put it into the pot. The man is also holding a green banknote. In the background, there are colorful patterns and a large thought bubble. The thought bubble contains a red box with fireworks, a yellow shopping bag, a plate of sweets, and a lit diya. The overall scene is festive and celebratory.

For example, my husband and I are saving for Diwali, which is 3 months away. We both save an extra INR 10 each day.

When Diwali comes, we will have INR 1,800 saved, which will be enough to buy sweets, and gifts for children and our family.

Remember, the entire family must work together to save for a better financial future. With love and patience, your husband will understand your intentions.

Radha has to take a loan with interest, but Saraswati simply pays the hospital from her savings.



THE END

Our questions and your answers:

1. Think about your lifestyle; whose does it resemble, Saraswati's or Radha's?
2. Have you ever faced such a financial emergency? How did you pay for this emergency? Did you take a loan or use your savings?
3. Did you pay interest on your loan? What was the interest rate? How much extra did you end up paying because of interest?
4. Do you fight with your spouse for money? Do you discuss with your spouse about expenses and income the way Saraswati does?
5. Have you ever spoken with your children about the importance of saving for a better future?

Learning Lessons:

1. Start saving from today.
2. Save however little you can every day.
3. Make saving a priority.
4. Discuss with your spouse and children about saving.
5. Make monthly budgets.
6. Reduce non-essential expenses.

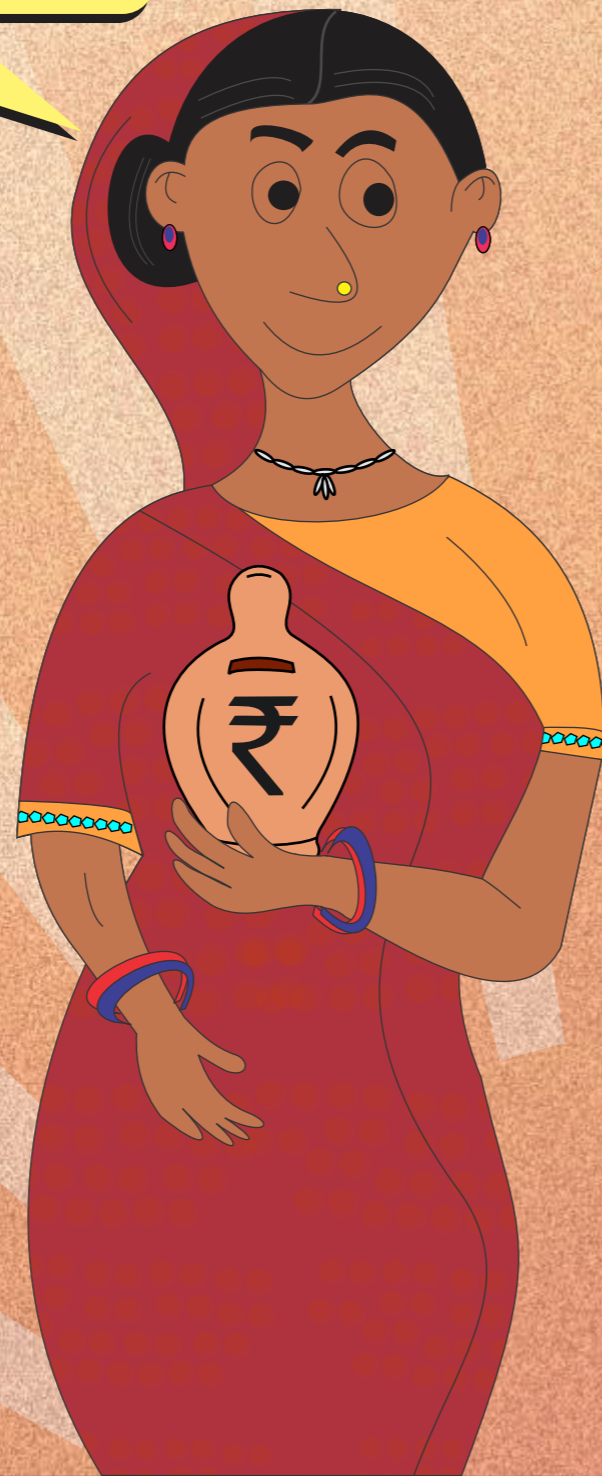
Story2

HOW TO PREPARE THE BUDGET



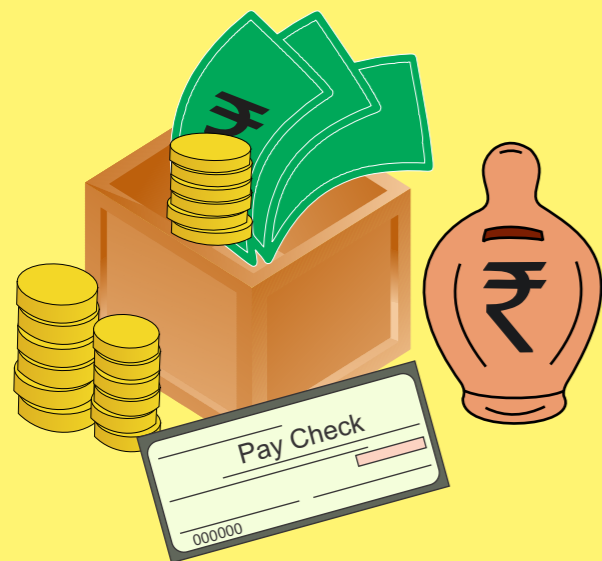
AFTER A LONG HARD DAY AT WORK...

Saraswati, my husband and I would like to prepare a budget as you suggested. Could you teach me how to prepare the budget?



A budget is an estimate of income and expenditure for a set period of time.

To prepare the budget, you must know how much monthly income you earn from all sources.



And then you need to know what your estimated monthly expenses are.





But I know approximately what my monthly income is. So why do I need to prepare a budget?

Creating a budget at the beginning of every month will help you estimate necessary expenses, identify unnecessary expenses, and plan your future savings goals.

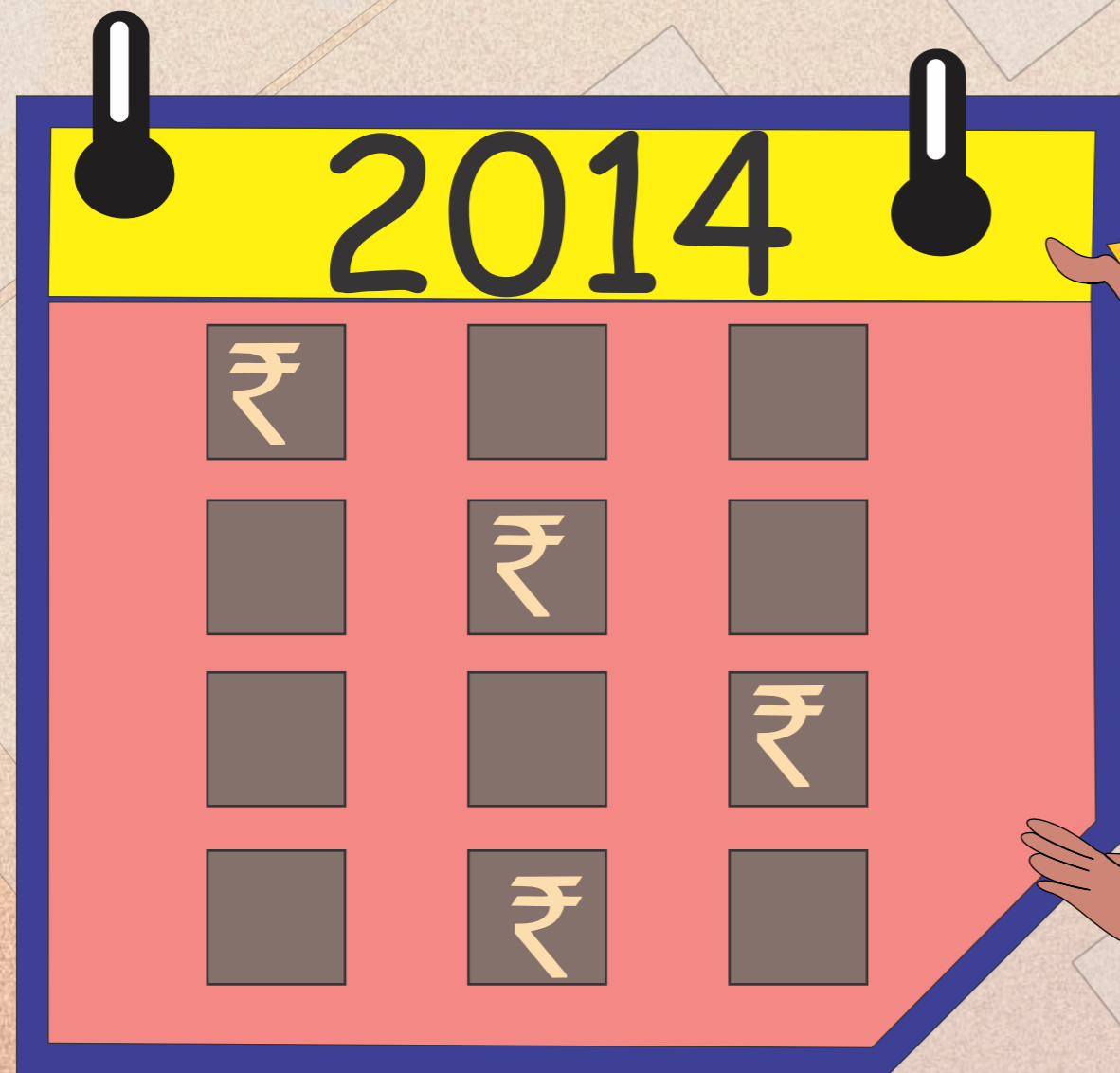




So how should
I prepare
the budget?

First, make a list of
the sources of income
for every month.

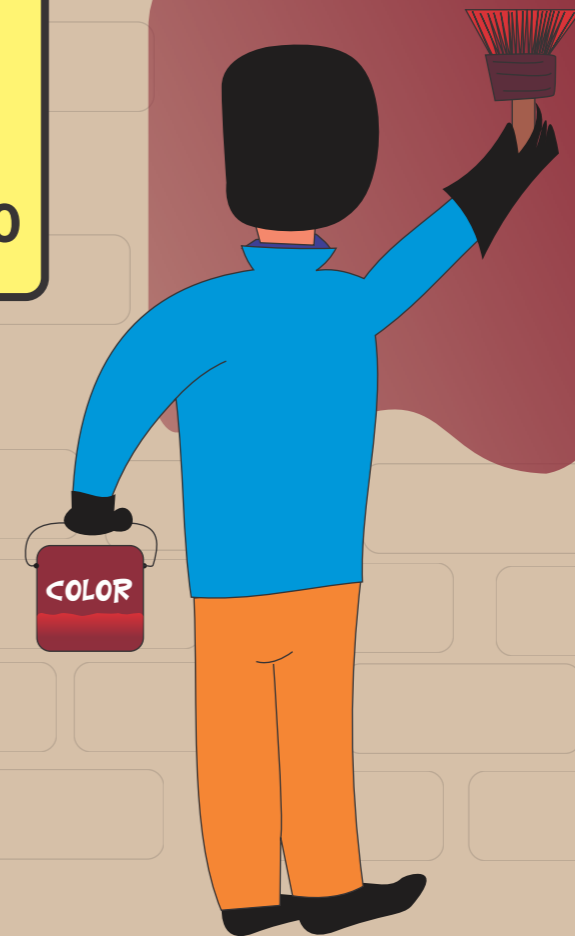
You may not have steady
monthly income from
your Papad business and
husband's painting
business, but it is
important to estimate
income sources for the
month based on the
availability of work.



**INR 200/day
x
20 days/month
=
Income of INR 4,000**



**INR 500/day
x
15 days
=
Income of INR 7,500**



**Approximate
household
income per
month
= INR 11,500**

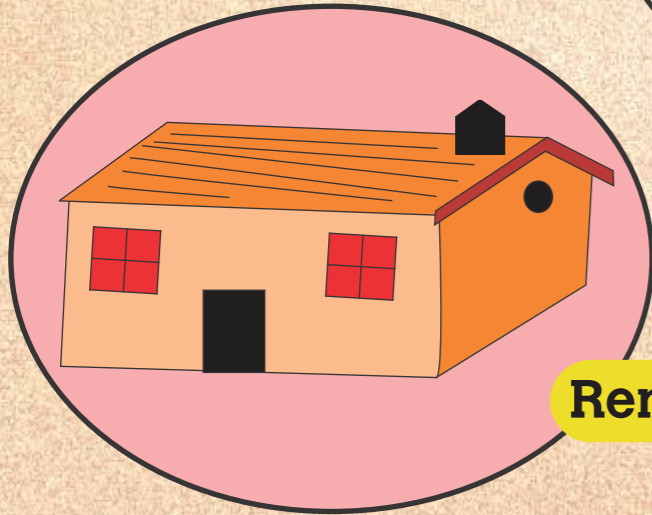




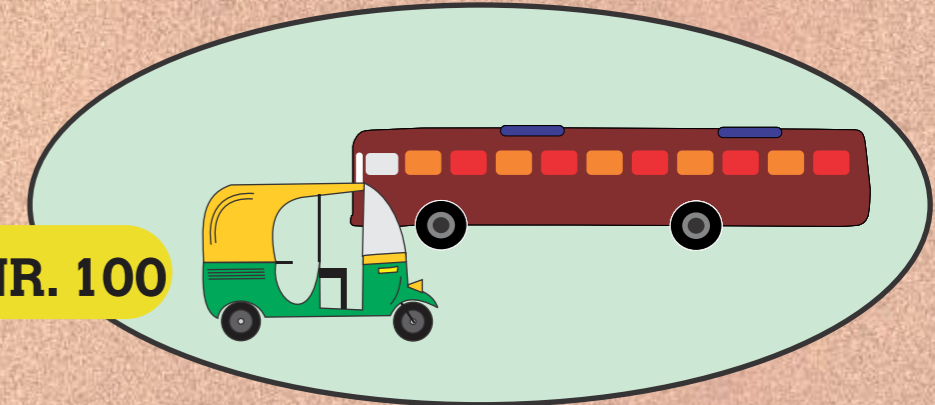
Household Item INR. 300



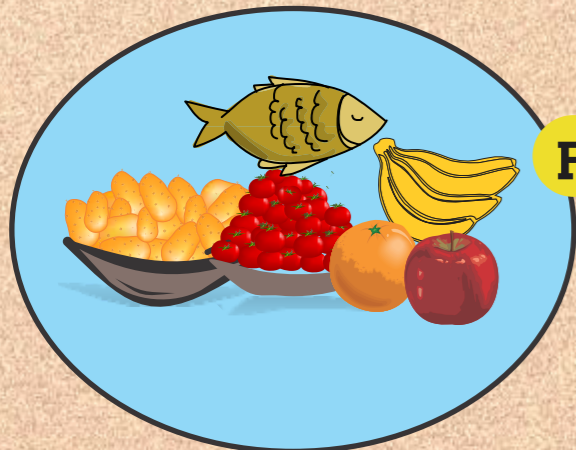
Health: INR. 100



Rent: INR. 1500



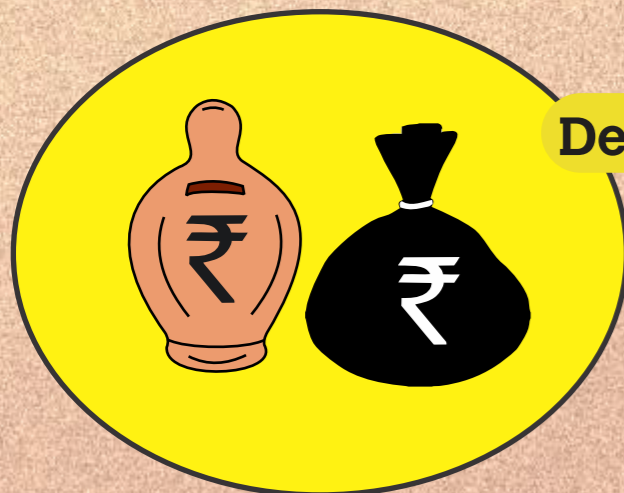
Transport: INR. 100



Food: INR. 1000



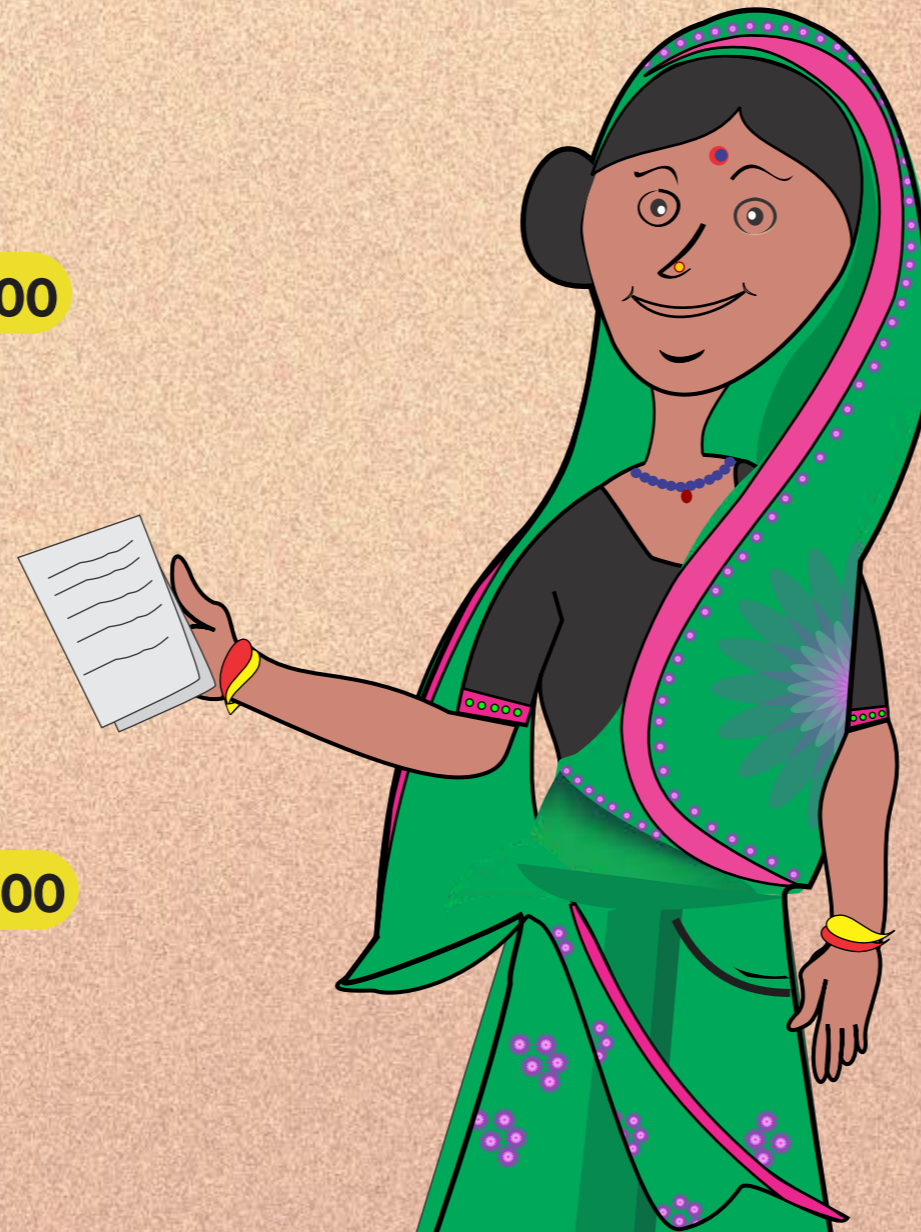
Snacks: INR. 700



Debt : INR. 500



Entertainment: INR. 3000



Then, have a list of items that you commonly purchase and estimate the expenses for these items



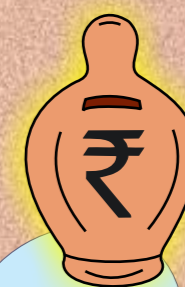
Reduce expenses that you think are unnecessary. Never reduce expenses on essential items such as nutritious food, medicine, education, and future savings.



Always pay off the expensive debt first.

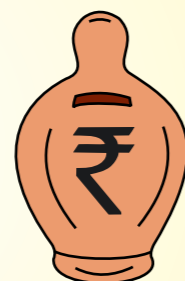
Set Goals

Decide your savings goals and start saving immediately for future expenses.



SAVE REGULARLY

Decide how much each one of you can save individually. Check-in regularly with each other daily to ensure you both have saved your daily savings amount.





Set realistic goals
so you can stick to
your budget. My husband
and I have two goals.



2 MONTHS

And another is
INR 1,000 for
Diwali, in the
next 2 months.



6 MONTHS

One, INR 2,000 for
children's fees
which we have
to pay in the
next 6 months.



**My husband and I are saving
INR 250 per month each, so
that we can save INR 1,000
saved up by the end of 2 months.**

**After Diwali, my husband and I will
save INR 250 per month each, so
that we can save up INR 2,000
to pay for school fees.**



By planning ahead,
we have reduced our
unnecessary expenditures.

By sticking to our
budget, we ensure we
do not reduced
our planned savings
for the month.

Rs. 10 / day

Rs. 10 / day

Rs. 20/ week

THE END

Our questions and your answers:

1. Budget preparation exercise
2. Table: List of income
3. Table: List of expenses
4. What are your savings goals? Why do you want to save?
5. How much you need to save every month to reach your saving goal?

Learning Lessons:

1. Always pay off expensive debt as early as possible.
2. Budget helps us cut down unnecessary expenses
3. Budget helps us reach our saving goals effectively.

Story3

ISSUES WITH CASH ON HAND

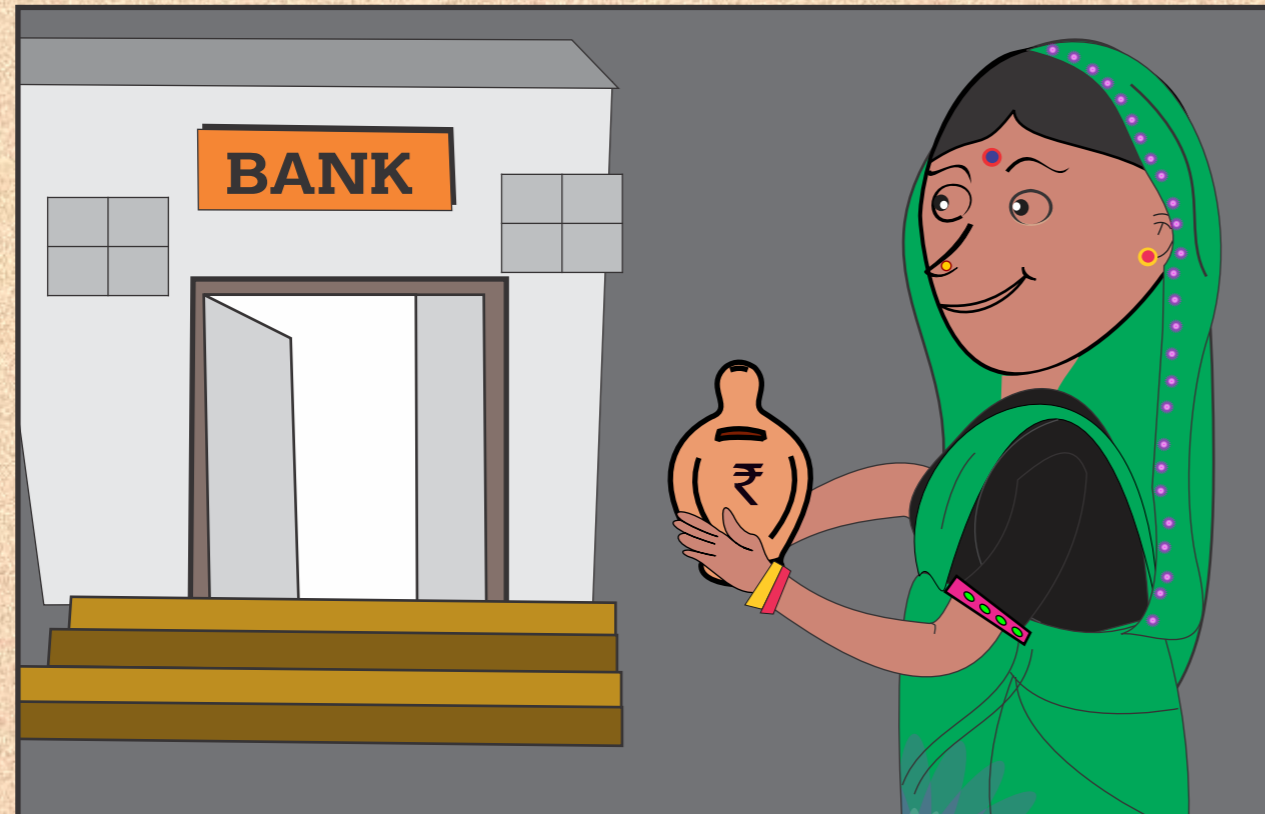


FOUR MONTHS BEFORE DIWALI...

Saraswati, DIWALI is coming and I am so excited! Have you started saving up for gifts, clothes, fireworks and sweets yet?



Yes, Radha. My husband and I are each saving INR 250 every month so that when DIWALI arrives in four months' time, I will have INR 2,000 to spend!



Saraswati deposits her money in the Bank



Radha hides her money in her Cupboard



One day, Radha 's money is missing from the cupboard.
Her husband took the money, gambled, and lost the money.



5000X2
10,000



INR 5000



INR 2000



I am not going
to save money
at home anymore.



I will give the money to my sister.
The money will be safe from my husband
at my sister's home.



Radha gives money to her sister.



TWO MONTHS LATER...

**Sister, can you please
hand me my money?**

**Radha, I am so sorry.
Our son was admitted
to the hospital last week
and we had to use your
money for his treatment.
I will return the money
as soon as possible.**



Radha is sad and in despair



Our questions and your answers:

1. Have you ever experienced or know of anyone who has experienced any problems when trying to save money?
2. What are the advantages of saving at home?
3. What are the disadvantages of saving at home?

Learning Lessons:

1. If you have cash in hand, you are tempted to spend.
2. Keeping cash on hand may not be safe.

RISKS OF SAVING WITH INFORMAL INSTITUTIONS

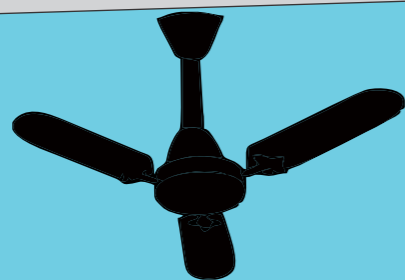


BANK

SARASWATI REGULARLY DEPOSITS HER SAVINGS AT THE LOCAL BANK NEARBY...

BANK

**M G ROAD
BRANCH**



... WHILE RADHA KEEPS HER SAVINGS IN A CHIT FUND GROUP

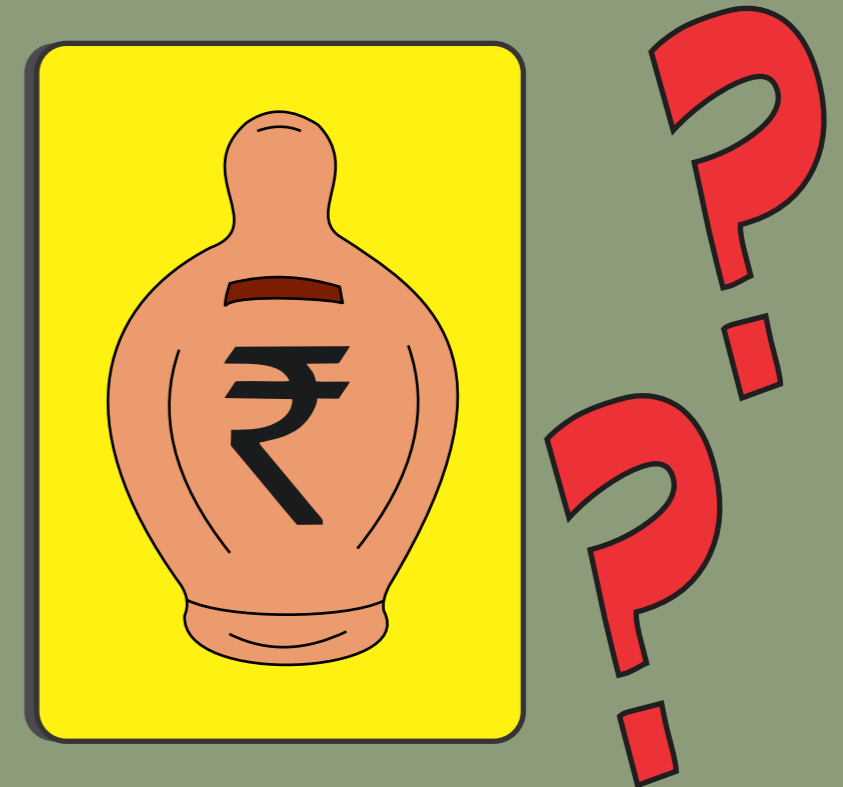
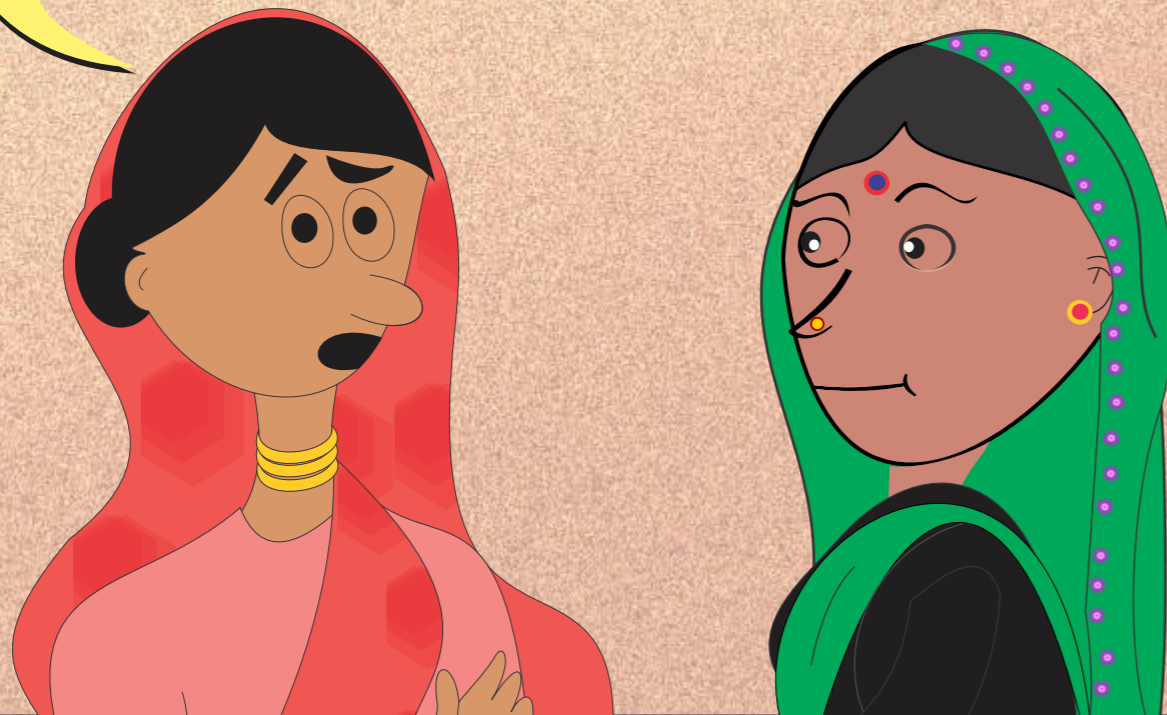
CHIT FUND



ONE DAY AT THE BANK...



The Bank is going to close down.





Saraswati is worried about losing her savings at the Bank



Don't worry Saraswati. The bank was officially registered with the government. The government will be responsible for your money.



Saraswati looks relieved.



One day Radha was on her way to save with the neighbourhood chit fund.

CHIT FUND



Oh no! There has been a theft in our chit fund leader's house. INR 20,000 saved this month has been lost.



We will try to catch the thief, but we cannot guarantee your money will be recovered.





Radha, I have told you so many times, just like me, you should save money at an institution registered with the Government such as the Bank, Post Office etc. The Government will be responsible for your money.



THE END



Our questions and your answers:

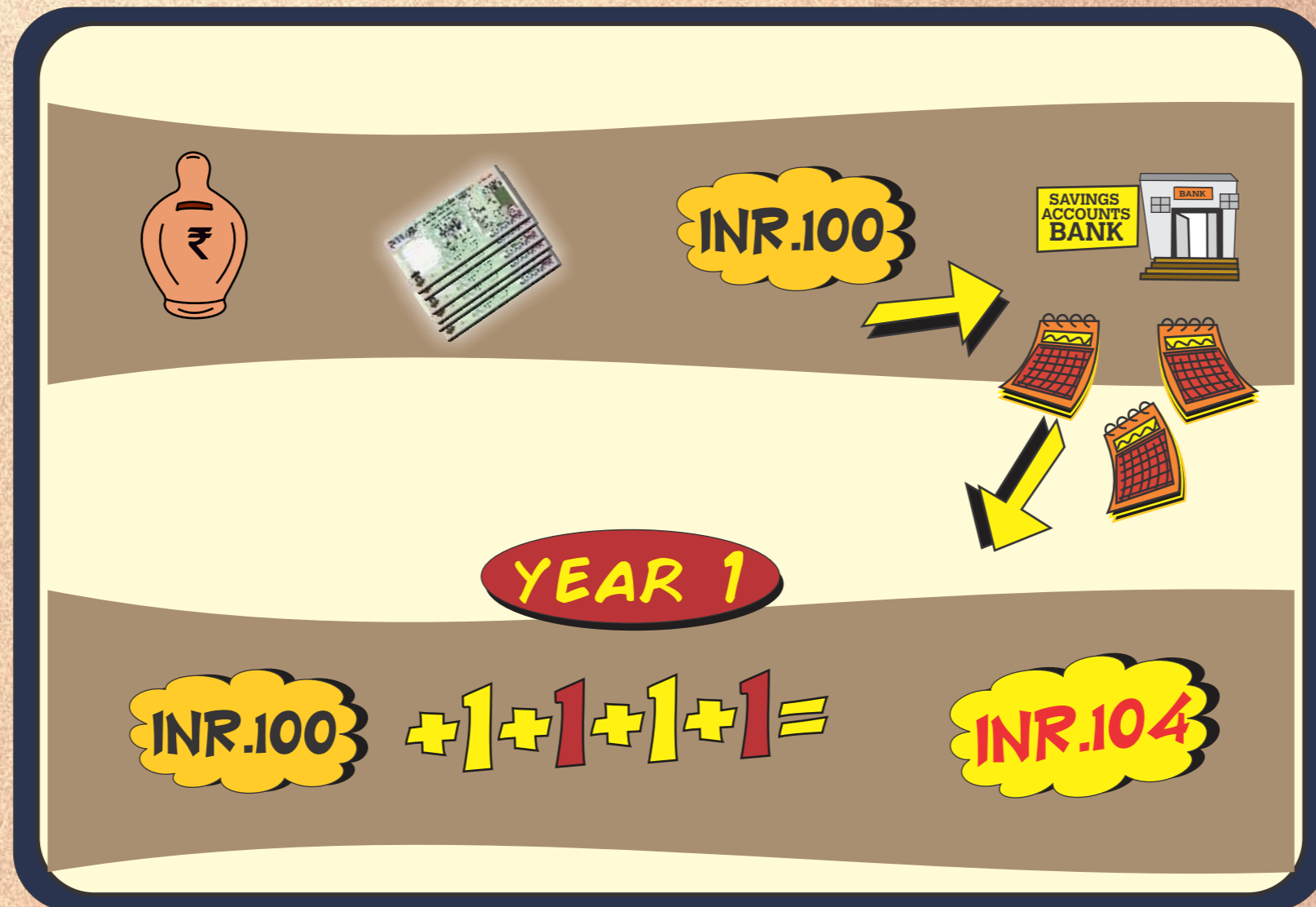
1. Have you ever heard of a situation similar to Radha, where she lost money saving with a chit fund?
2. What are the advantages of saving with chit funds?
3. What are the disadvantages of saving with chit funds?

Learning Lessons:

1. Saving money with chit funds is easy, but also has risks.
2. If you lose money saving with chit funds, shopkeepers, friends or family, the government is not liable to return your money back.
3. If the bank closes down, then the government guarantees to protect your investments.

Story5

POWER OF COMPOUND INTEREST



BANK

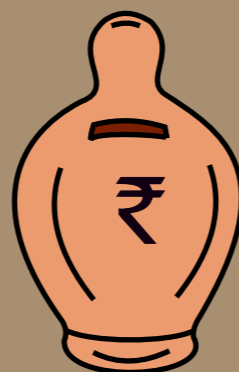
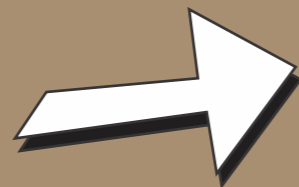
BANK

**FREE
FREE**

How is that possible?

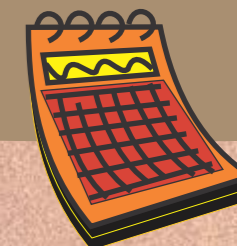
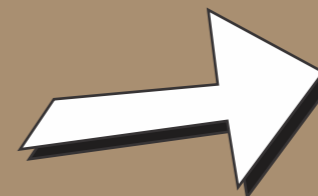
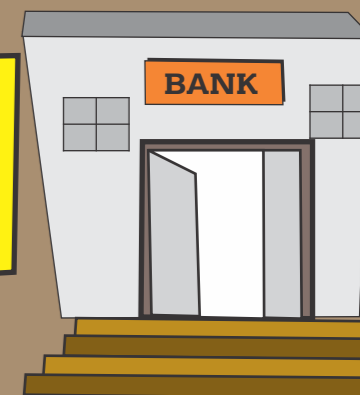
Radha, you should save money at the bank like I do. Do you know we can get money for FREE just by keeping money in the bank?





INR.100

**SAVINGS
ACCOUNTS
BANK**



YEAR 1

I get 4% interest on my savings deposited in the savings account. For example, if I deposit INR 100, this money grows to INR 104 in 1 year.

INR.100

+1+1+1+1=

INR.104

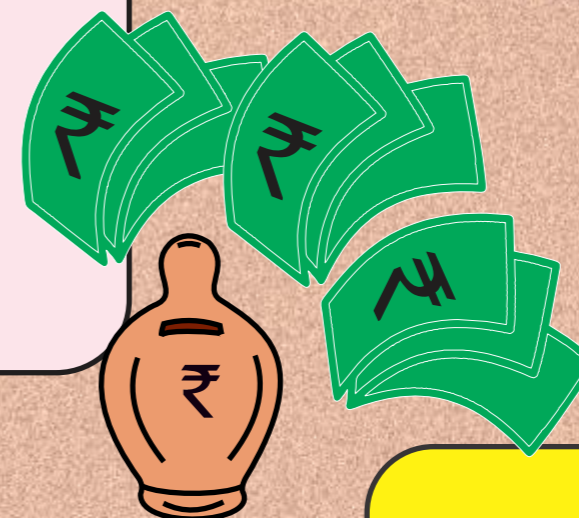
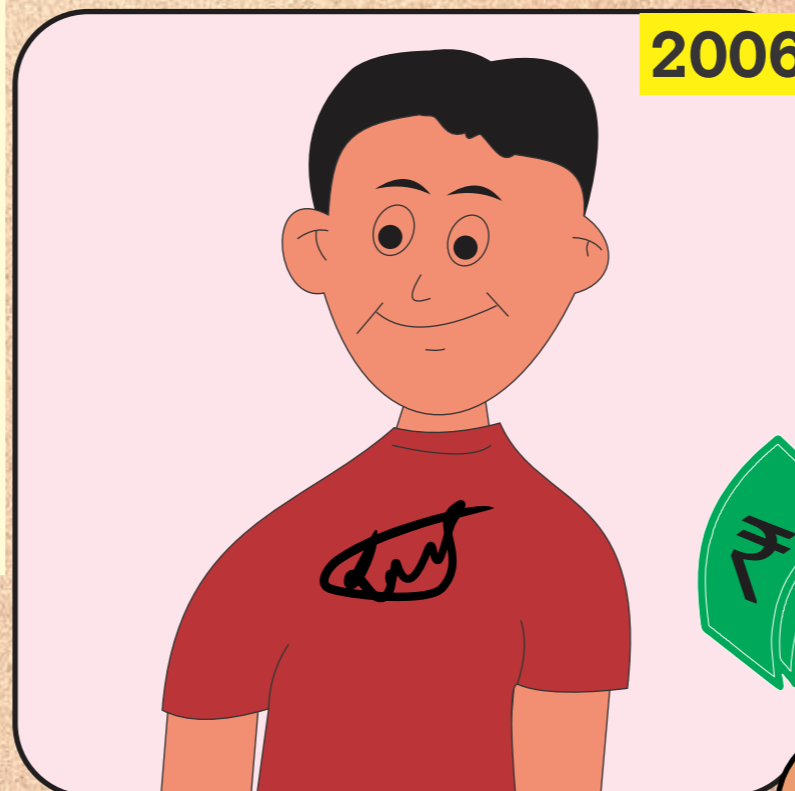


Next year, I get interest on INR 104. This money grows to INR 108 at the end of 2 years. I have to do nothing, just earn free interest on interest.

You know my uncle used to save for my cousin's education from the day he was born. He saved INR 10 each day for 18 years. Do you know how much savings of INR 10 per day grew into in 18 years? INR 1,00,000! It helped a lot in paying for his son's college fees.

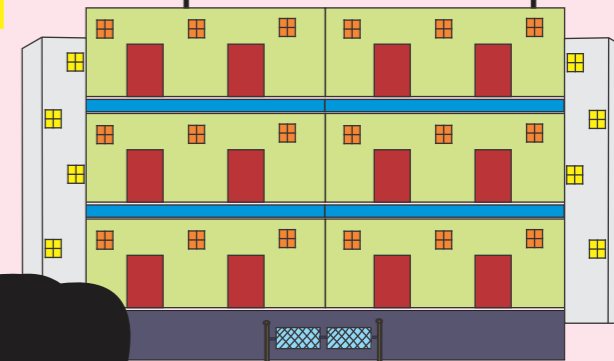


2006



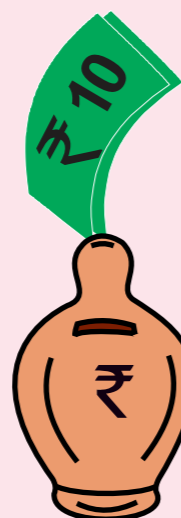
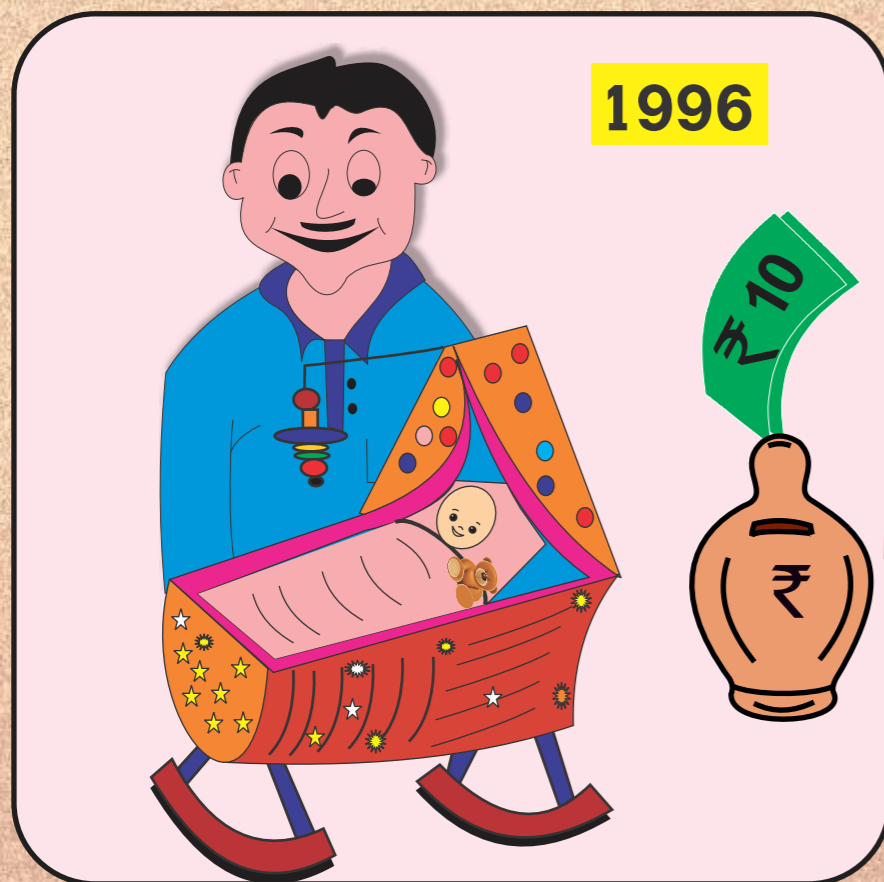
2014

K.B. UNIVERSITY



₹ 1,00,000

1996



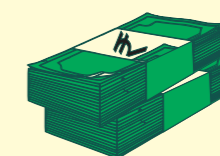
18 YEARS

1996

2014

₹ 10

₹ 10



₹ 1,00,000

Our questions and your answers:

1. Have you ever tried opening a bank account?
2. How was your experience at the bank?
3. What are the advantages of saving at a bank?
4. What are the disadvantages of saving at a bank?

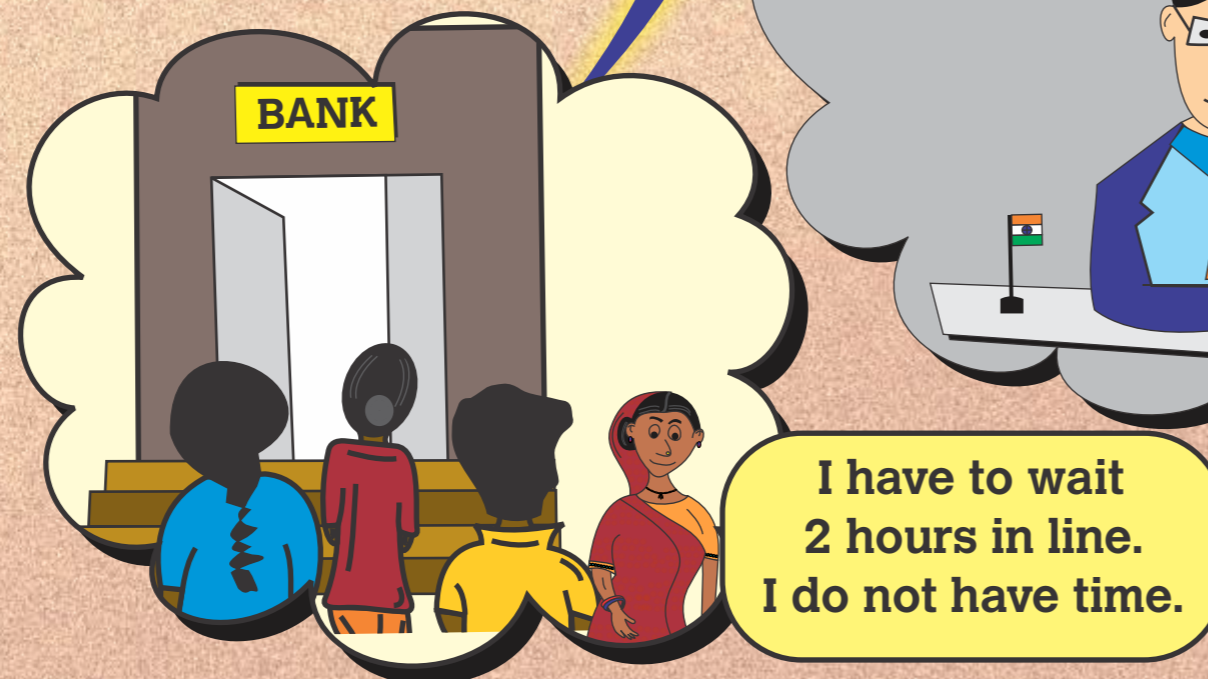
Learning Lessons:

1. Saving at the bank earns you free interest on interest.
2. Save however little you can at the bank to earn interest.
3. Your deposits are safe at the bank

Story 6

OPENING OF BANK ACCOUNTS





Don't give up just because banking seems time-consuming. There are long-benefits to saving with the Bank even if you have to wait in line for 1-2 hours in the beginning.

Let us go to the Bank, & I will teach you techniques to avoid standing in long lines in future.



The Government wants us to use the banking services. It is the bank officers' responsibility to serve us.



Radha, anybody can now open a No-Frills account.





When you have this account,
you can transact up to
INR 1,00,000 per year,
and save up to INR 50,000
per year.





This account can
opened easily if
you have any of
these documents



Ration Card



Voting Card



Electricity Bill



Pan Card



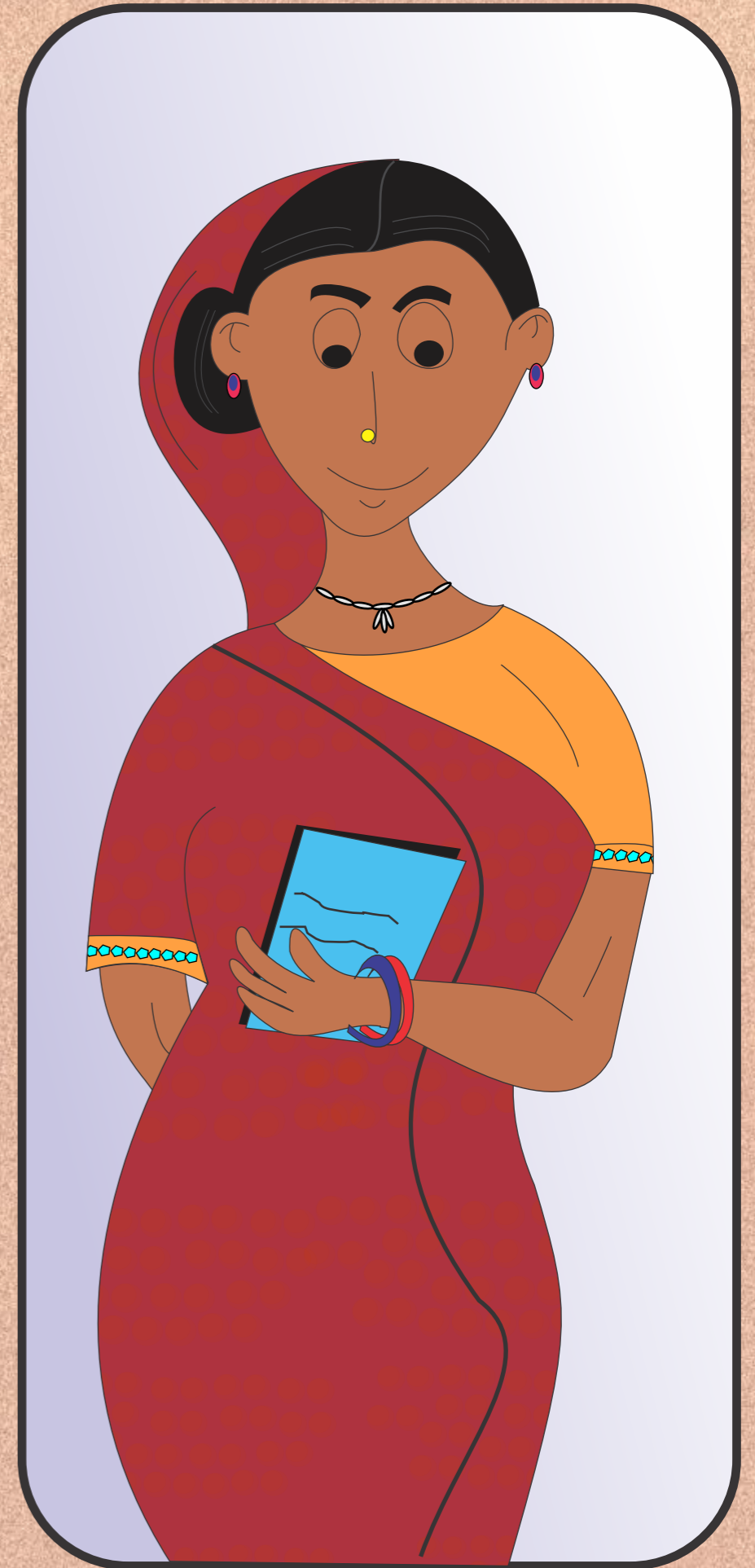
Driving License

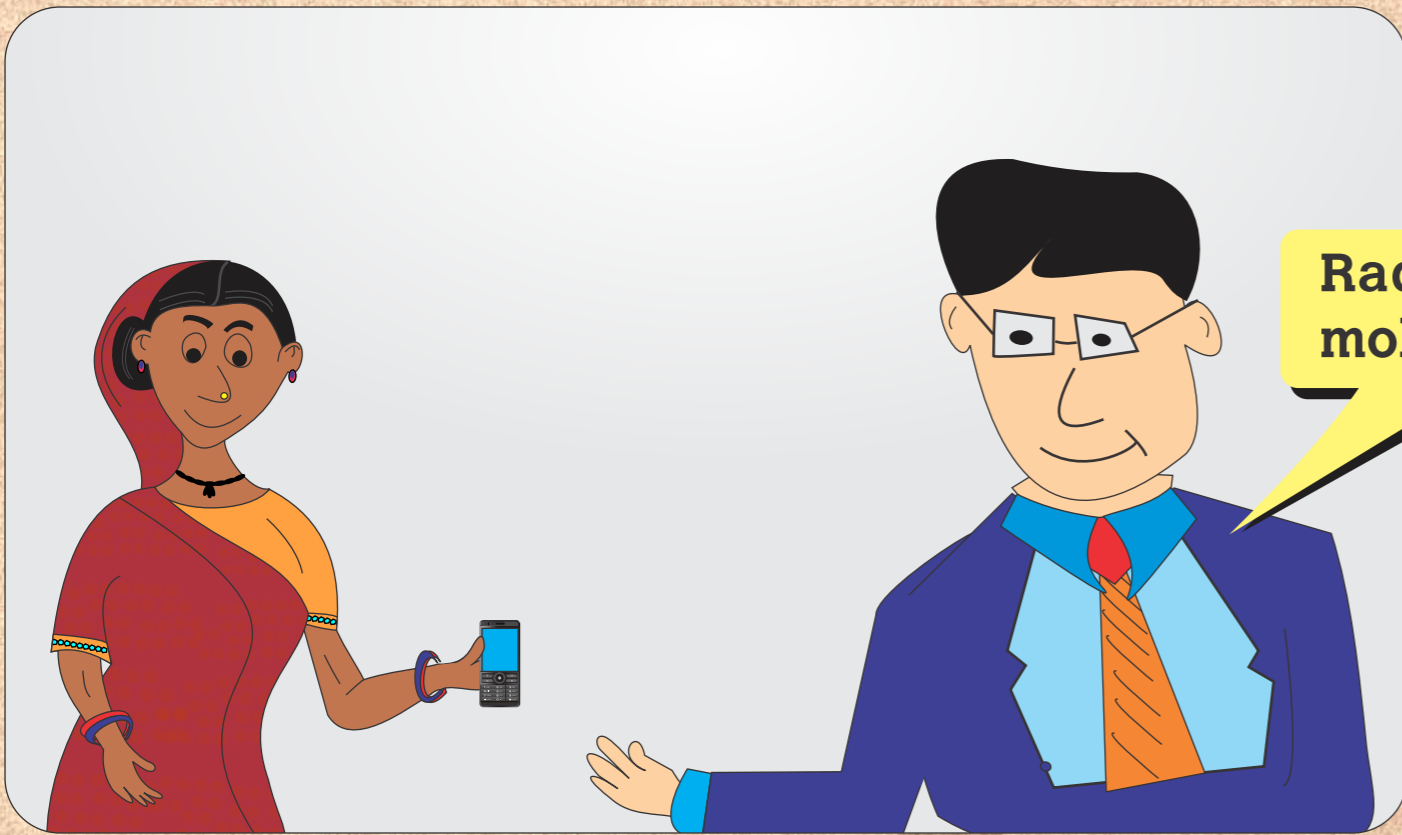
M G Road Branch

After 2 hours



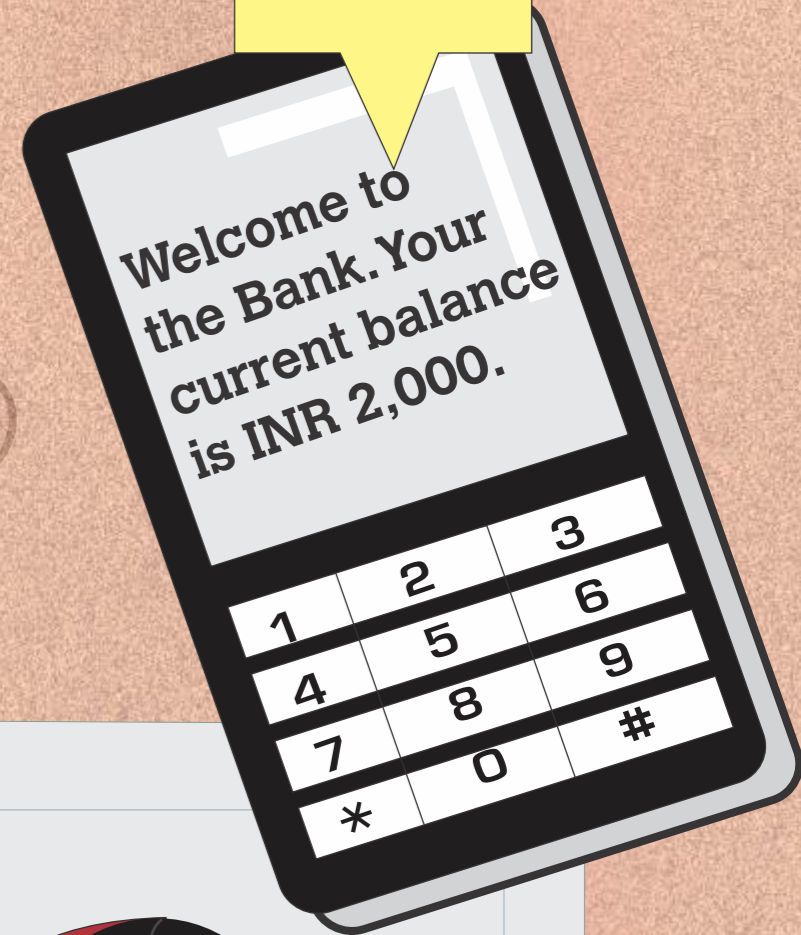
Saraswati, you can be the reference person for Radha. You also have a Bank account with us. Remember that a letter from a Block Office or Panchayat Office can also be used as reference letters.



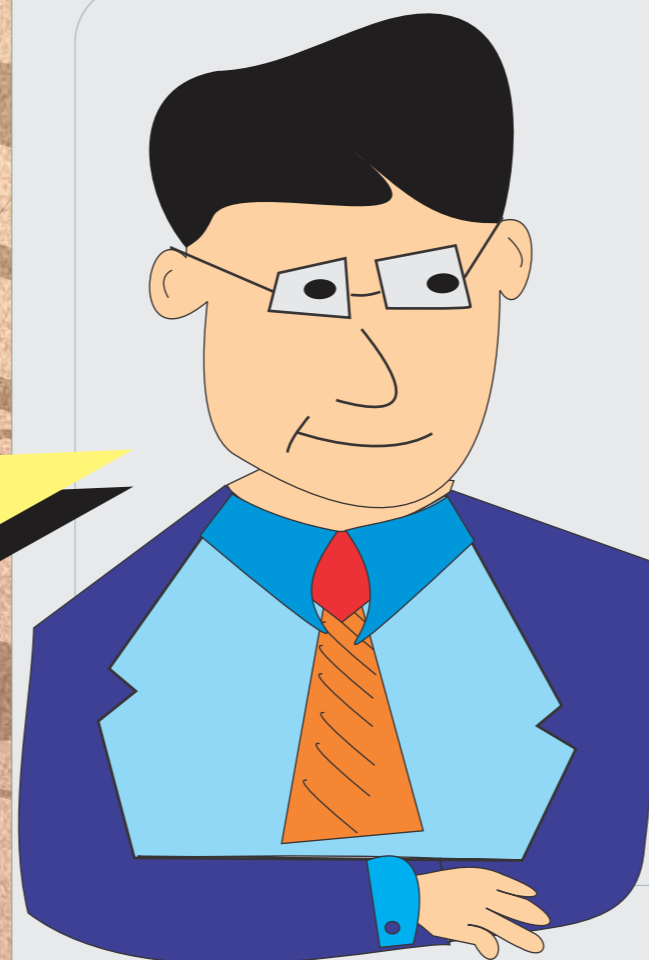


Radha, what is your mobile phone number?

SMS



I have registered your phone number with the account so you can get Bank alerts and balance information via SMS. If you lose this phone, be sure you get a duplicate SIM with the same number or you can register a new phone number with us whenever you want.



THE END

Our questions and your answers:

1. Did you know about the No Frills Account?
2. Do you have a mobile phone?

Learning Lessons:

- 1.The No Frills Account was specifically designed for you.
take advantage of this service.
- 2.Register your mobile phone whenever you open
an account.

BANKING SERVICES



BANK

BANK

I am happy that I have
a Bank account.
But I don't want
to wait in lines at
the Bank for hours.

We don't have
to go to the Bank
for all banking
transactions.
Let me explain.



BANK

DOCUMENT

ACCOUNT NO.:
IFSC CODE :

Firstly, start depositing your salary directly in your account, so you are not tempted to spend the cash at home.

Ask your employer to directly transfer your salary for free to your bank account.



Your employer just needs your Bank account number and IFSC code provided on your bank documents. You will receive an SMS once the money has been transferred.

Shreeji Papad Udyog



Rs 4,000 has been transferred to your account





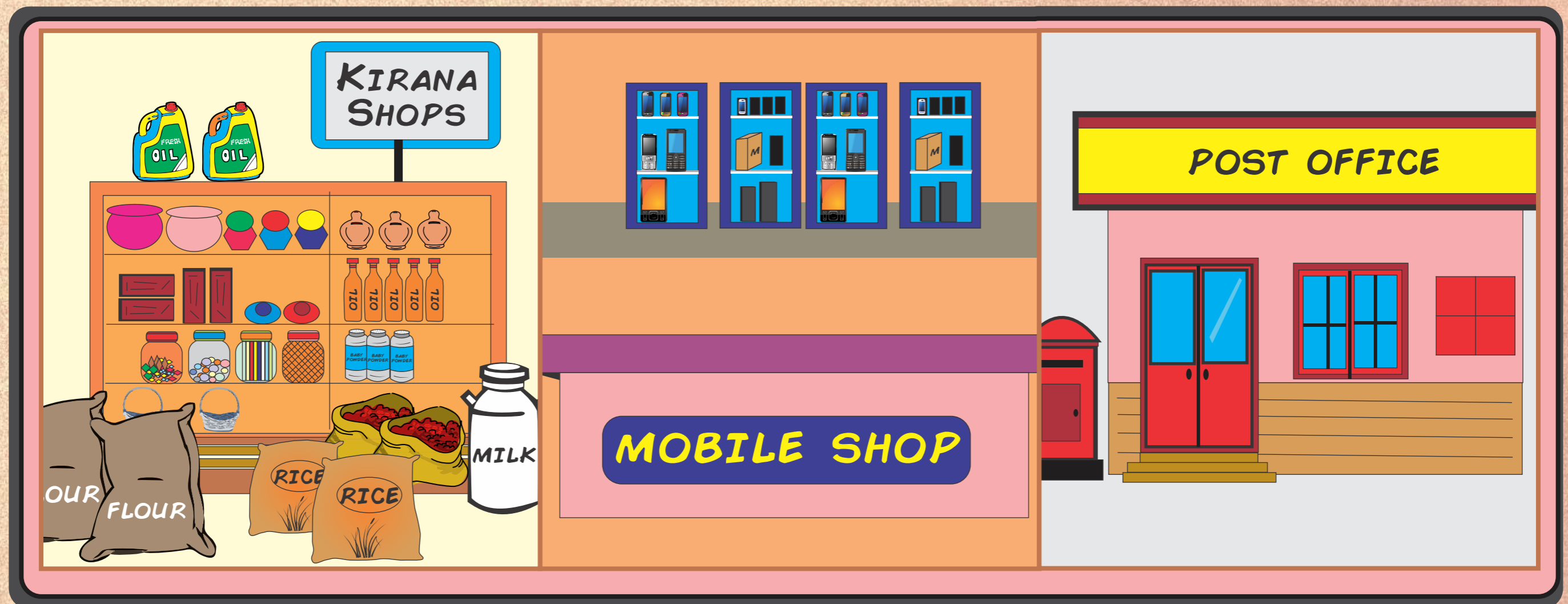
This way, you will automatically build your savings and collect interest on your savings. You can withdraw money for yourself from the ATM at any time.



Agent
banking?

If for some reason your
employer cannot deposit
directly to your bank
account, and if you don't
want to visit the bank
to deposit your savings,
then you should know about
AGENT BANKING.






Banks cannot serve all the customers quickly. Thus, they have now allowed local **KIRANA SHOPS, MOBILE SHOPS, & POST OFFICES** to act as Bank agents.

These agents provide banking services right next door and are associated with Banks like State Bank of India.





You must deposit at least Rs 100 to open a bank account. Go to the agent with your mobile phone and money to be deposited, and they will deposit your money in a no-frills account.

Once you deposit the money, you will get an SMS notification.

Money has been deposited to Your ac.

But remember, Agents charge you every time you deposit (Rs 1 to Rs 3) and withdraw (Rs 2 to Rs 6) money.

Accumulate your weekly savings and deposit them once a week. You are charged for withdrawals, so you will not be tempted to withdraw money frequently.



MOBILE SHOP



ONE MONTH LATER...

**Thanks Saraswati.
My employer transfer Rs 2,000 of my
salary directly into my account. I got an
SMS alert when the deposit was made.**

**This is great news Radha. It is your responsibility
to take care of the household and the future of
your children.**

**By opening the account, you have
learnt new ways to save for your
children's future. Now you can enjoy
all these benefits for a lifetime.**



THE END

Our questions and your answers:

1. Have you ever tried opening a No Frills Account?
2. What documents did you have to provide to open the account?
3. Have you ever tried remitting money through a Tatkal Agent?
4. If Yes, what steps did you follow to remit the money? How much did you pay in fees?
5. If No, would you be interested in using a Tatkal agent in future to remit money?


Learning Lessons:

1. No Frills Accounts are easy-to-use accounts for basic savings services.
2. You can use the NFA accounts to remit money home safely and quickly using Tatkal Agents, or using the Bank.
3. Opening the Account will take some time at first, but will offer a lifetime of benefits.

Story8

Engagement in Self Help Groups (SHGs)





Do you know about
Self Help Groups?
You should join such
groups.

Yes, my friend Meeta
is an SHG member.
She attends weekly
meetings and
deposits money.

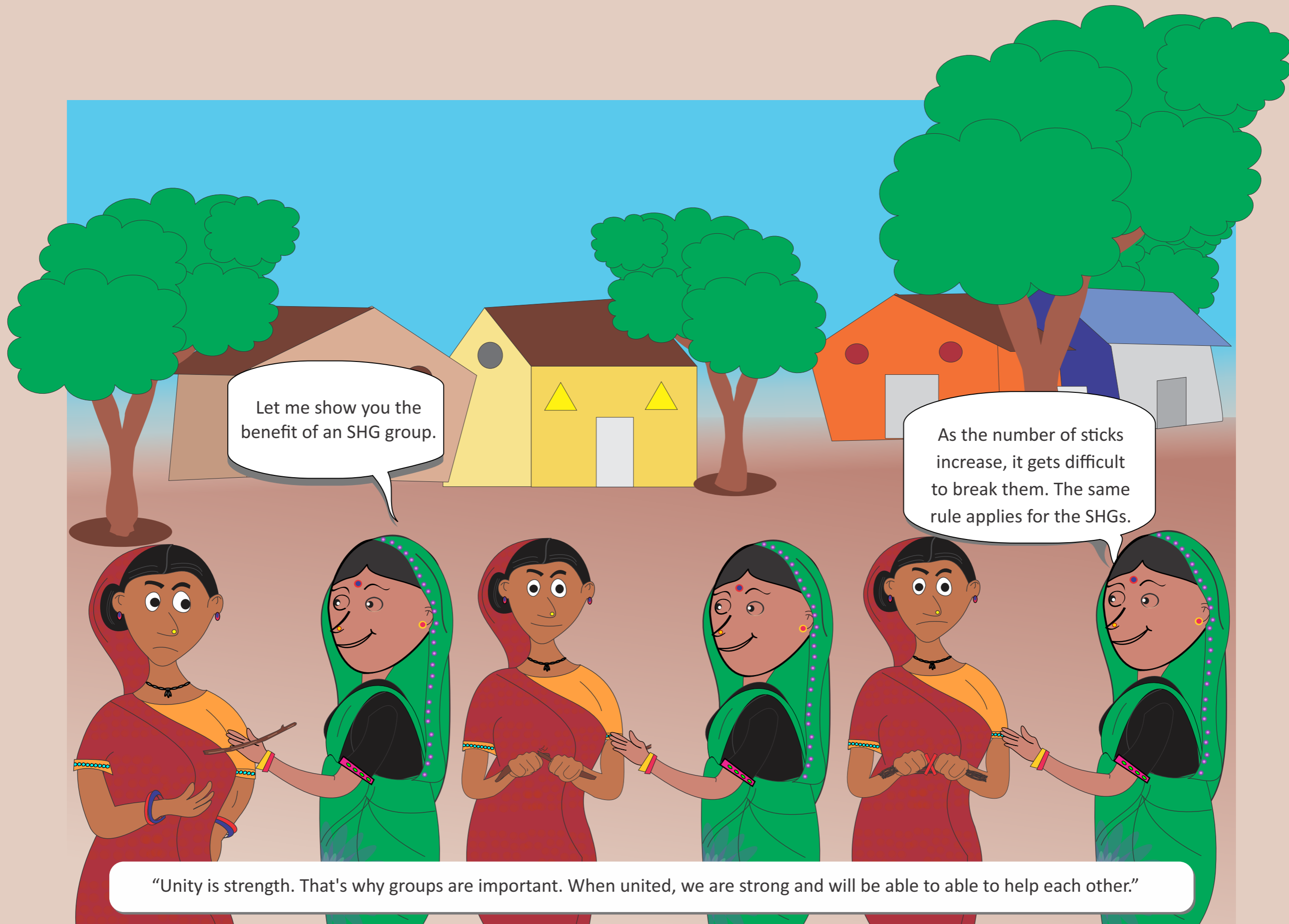
I am too busy and don't have
enough money to deposit
money every week.



Radha,
the SHG meetings
actually help us.

SHG is an association
of women from our
neighbourhood. Group
members help each other.

The group has to
follow rules , and
meet frequently
to save. Members
are bound by trust,
mutual respect and
affection.



Let me show you the benefit of an SHG group.

As the number of sticks increase, it gets difficult to break them. The same rule applies for the SHGs.

“Unity is strength. That's why groups are important. When united, we are strong and will be able to able to help each other.”





Members can borrow from the group savings fund rather than the money lender.

We can charge a small interest on the loan. Members decide interest rates, loan amounts etc.

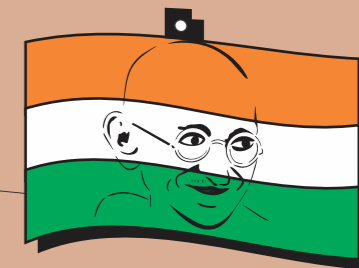
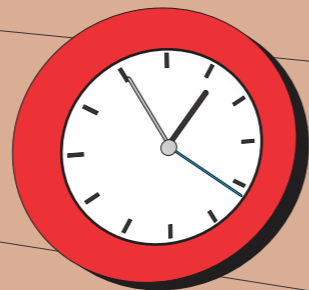
Remember we are responsible for each other. If one member cannot pay the loan back, we all must help her pay back the loan.



Our group can also open a savings account at a bank or a cooperative society.

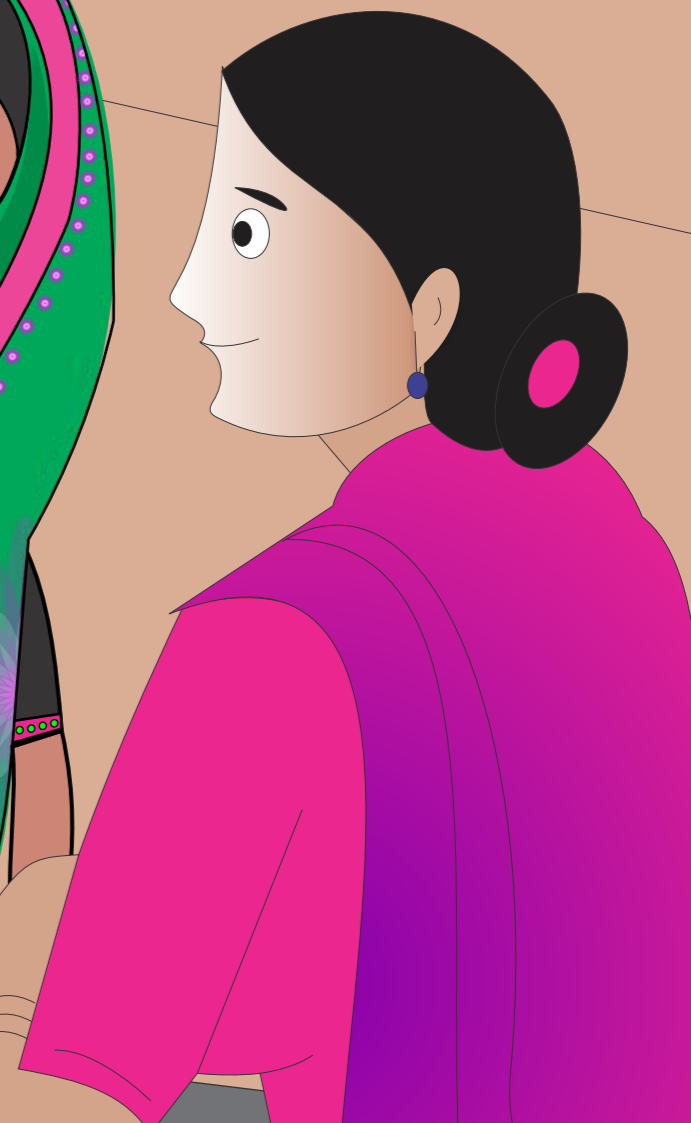
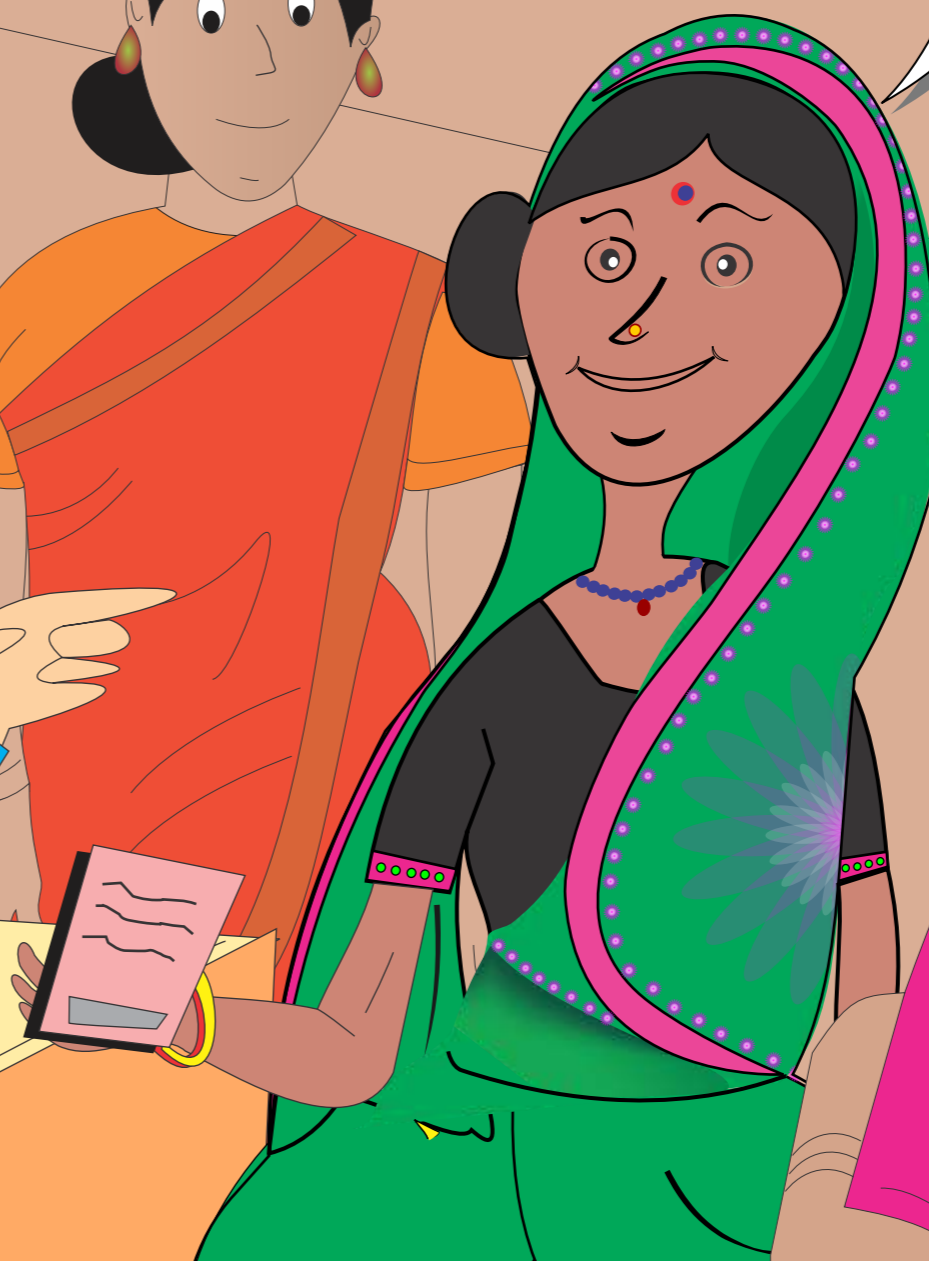
We can deposit our savings here too.

BANK



As our group matures,
the bank will look at our
savings and repayment
history, and will give us
loan at a subsidized
interest rate.

My friend's SHG Group
received a loan for
INR 1,00,000.
Each of the 10 members
received INR 10,000.





I understand the benefits,
but I do not have time to
attend group meetings.


Radha, it is our
responsibility that
our SHG functions well.

Meetings are important to
maintain group discipline.
We can decide how
frequently and where to meet.

We can discuss
about household
and community
problems.







SHGs help in
4 main ways:

1.

We save as a group,
lend to members, and receive
interest on loans. This helps
the group earn money.

2.

Group can be linked
with the bank.
We can get loan from
the bank.

3.

The group gets increased
support from the Government
and NGOs.

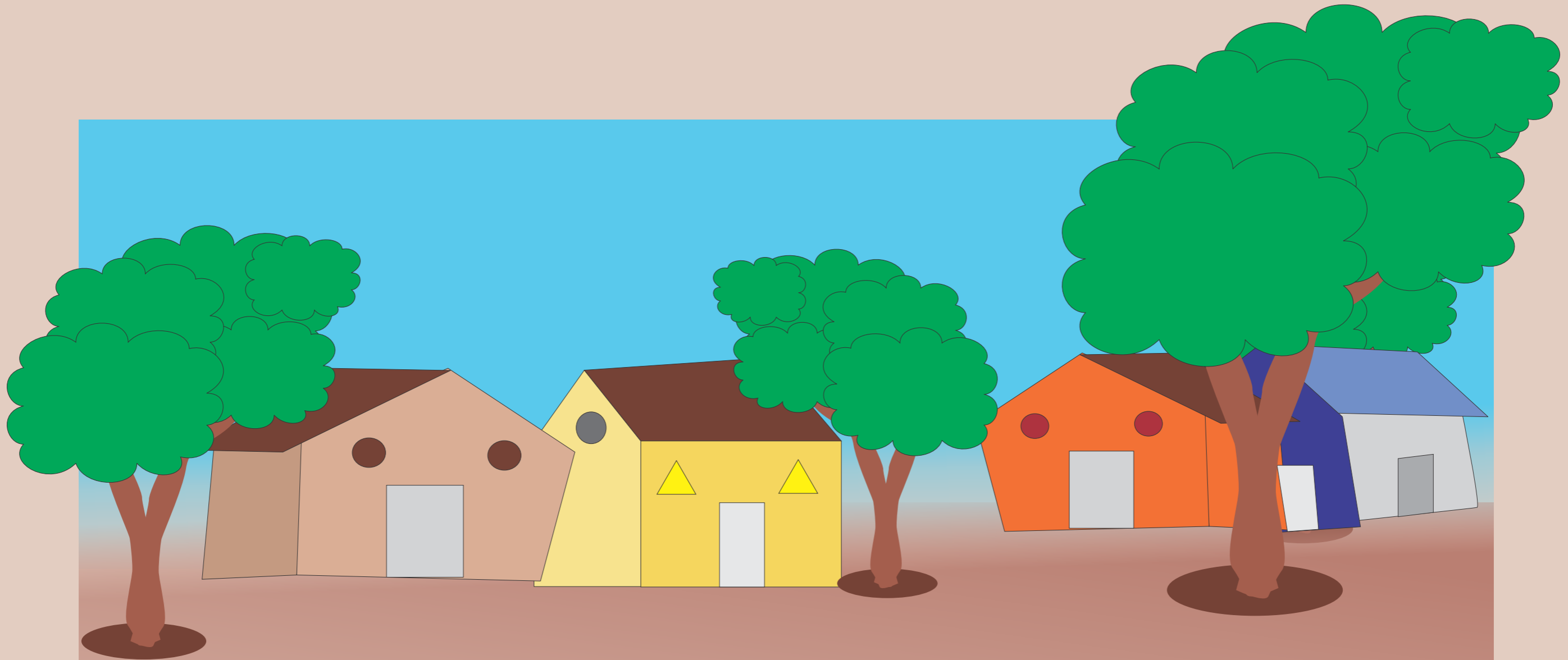
4.

The group can be engaged in
the community work helping
women and their families.



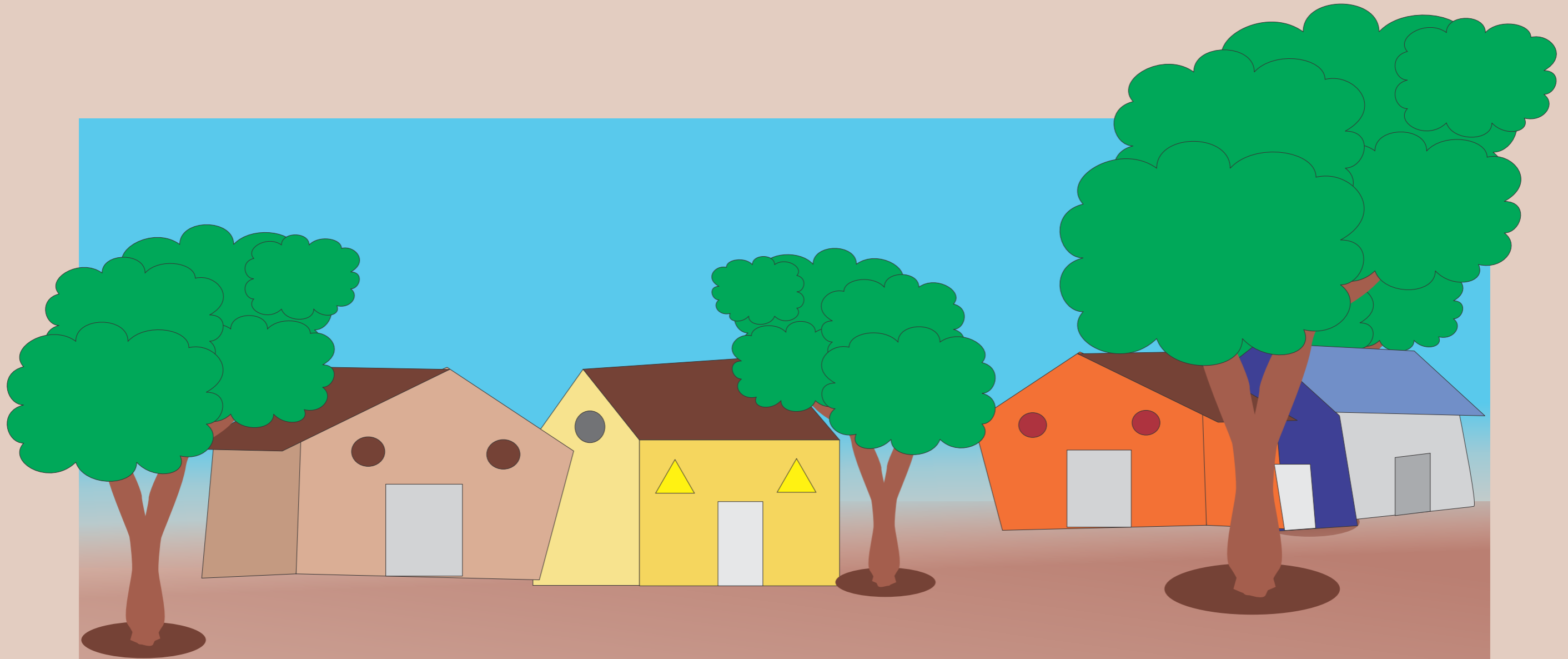
6 MONTHS LATER





Question answer

1. Have you heard about the SHGs in your neighbourhood?
2. Are you a member of SHG? If so, do you attend meeting regularly? Do you save? Do you save regularly with the SHGs
3. If you are not a member of a SHG, why did you choose not to be a member?
4. What are the advantages of being part of SHGs?



Lessons learnt:

1. Being part of an SHG group helps us save regularly.
2. Saving as a group, helps us being committed to our savings goals.
3. SHG members get help from they group when they need.
4. Active SHGs are engaged in community work.
5. Disciplined and active SHGs have more opportunities to receive financial help from the Government and NGOs.
6. Disciplined and active SHGs can apply for savings accounts and loans with the Bank.