



Social Lender

FINANCIAL LITERACY SUMMARY

APRIL 2019

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INTRODUCTION

Making financial decisions is a fundamental part of life that adds to the quality of life. People need to have basic knowledge in various aspects of life to enable them make informed decisions about financial matters. Awareness of potential risks that accompany various financial choices is a strong precursor of making sound decisions.

Financial Inclusion in itself is certainly broad but for the Social Lender program, the key area of focus will be to deliver wholesome financial literacy:

1. Money, Saving and Transactions
2. Planning and Management
3. Rights and Responsibilities
4. Credit and Debit
5. Dangers of Microcredit
6. Social Reputation
7. Social Lender and How it Works

MONEY SAVING AND TRANSACTIONS

Scope of discussions include the use of money, payments and its various forms, How digital payments have become more popular and why digital payments, as well as understanding the economic impact on Income.

Money: is any item or verifiable record that is generally accepted as payment for goods and services and repayment of debts, such as taxes, in a particular country or socio-economic context.

Income: is the total amount of money or its equivalent received during a period of time in exchange for labour or services. Income is converted to wealth through savings and investments.

Payment: this has to do with transaction of money or resources from one party to another over a channel/medium for the purpose of value exchanged between the two parties.

Savings: the portion of disposable income not spent on consumption of goods and services. In banking, savings refers to savings accounts, which are short-term, interest-bearing deposits. Saving in the bank keeps you from informal, unregulated and unprotected incidents that may occur from keeping money in your homes. Access to savings account not only increase savings but also investments and decision making power. To save effectively, it is advisable you don't carry lots of cash in liquid form. There are several platforms available that can helps you save your money like your local ajo and also FinTech start-ups like: osusumobile, piggybank, startcredits.

REASONS WHY WE SAVE

Emergency: An emergency is a situation that poses an immediate risk to health, life, property, or environment. Having some savings set aside for emergencies will help you deal with life's unexpected events. The goal is that this money is always available when you need it.

Planned Expenditure/expenses: These are the inevitable expenses you must make like your house-rent, shop rent, children school fees etc. This requires middle term planning/investing.

To build wealth: This has to do with long term savings like your fixed deposit, treasury bills, stocks etc usually for retirement purposes or you want to pass it down to the next generation.

Credit: Learning to manage money can be very difficult but there are times when you don't have a lot and you need to clear up some emergency/urgent needs and you have no disposable income, the good thing is that help is always available. It is necessary that when you take credit or loans that you add it to your budget plan to avoid being a bad debtor.

Retirement is best enjoyed when there is a steady and continuous flow of money. Planning your retirement is crucial, no matter how small you start. Early planning and saving for retirement increases compound.

TRANSACTIONS

A financial transaction is an agreement, or communication, carried out between a buyer and a seller to exchange an asset for payment. It involves a change in the status of the finances of two or more businesses or individuals often involving the exchange of items of value, such as information, goods, services, and money. It is still a transaction if the goods are exchanged at one time, and the money at another. This is known as a two-part transaction: part one is giving the money part two is receiving the goods.

Types of Transactions

ATM: An automated teller machine (ATM) is an electronic telecommunications device that enables customers of financial institutions to perform financial transactions, such as cash withdrawals, deposits, transfer funds, or obtaining account information, at any time and without the need for direct interaction with bank staff.

Check/Cheque: A cheque, or check, is a document that orders a bank to pay a specific amount of money from a person's account to the person in whose name the cheque has been issued. The person writing the cheque, known as the drawer, has a transaction banking account where their money is held.

Deposit: Bank deposits consist of money placed into banking institutions for safe keeping or as a payment into an individual or company account.

Online: It's simply a completely electronic way of transferring money from one bank account to another bank account. Withdraw funds through a web-based store or online banking service.

POS: POS stands for point of sale. A point-of-sale (**POS**) transaction is what takes place between a merchant and a customer when a product or service is purchased, commonly using a point of sale system to complete the transaction. Withdraw funds through a point-of-sale transaction (typically a cash or debit card purchase).

PLANNING AND MANAGEMENT

Financial management is an important part of financial planning. When managing personal finances, having a clear objective and knowledge about one's finances is an essential part of creating a workable plan that is right for you. Financial management involves creating a budget, choosing a bank, paying taxes, managing debt, investing, retirement planning, and estate planning.

BUDGET

Budgeting is the process of creating a plan to spend your money. This spending plan is called a budget. Creating this spending plan allows you to determine in advance whether you will have enough money to do the things you need to do or would like to do. Budgeting is simply balancing your expenses with your income.

Budgeting helps us see with clarity and full transparency our financial situation and this is of utmost importance for better managing your money.

MANAGE DEBT:

It is important to take control of debt. Although most people have some kind of debt, such as a car loan or a mortgage, high interest debt can lead to disastrous consequences. Warning signs of much debt include only making the minimum payment every month, making late payments, , and taking cash advances to pay bills. To get control over debt, an individual can sell investments, negotiate with a creditor to repay the debt in a payment plan, or file for bankruptcy.

Keeping debt low is also an important component of an individual's credit score. While making payments on time is the most crucial factor, the second most critical factor is the total amount of debt owed. A debtor can improve a credit score by paying down debt and by refraining from incurring any more debt.

INVEST YOUR MONEY

Part of financial management includes a plan to generate income from investments. Investing is a good way to generate income through compound interest and capital gains. Investments, however, only make sense when an individual is debt-free or has a small amount of debt at a low interest rate. Depending on the level of risk that is

personally acceptable, investment choices include certificates of deposit (Cds), bonds, mutual funds, real estate, commodities, stocks, and business ventures.

Each type of investment has a different level of risk and offers a different return on the investment. For instance, because stocks have a higher level of risk than a bond, the return is typically higher. Choose a type of investment that meets the level of risk that is most comfortable.

PAY TAXES

Paying taxes on time is an important part of managing personal finances. If self-employed, it may be necessary to pay estimated taxes throughout the year. Filing a tax return by the deadline will

avoid the payment of costly penalties. Taxpayers that are unable to file a tax return on time can obtain an extension.

The extension, however, does not extend the time allowed to actually pay the taxes owed.

PLAN FOR RETIREMENT

Planning for retirement is essential to ensuring a comfortable life in the future. Investing in an employer-sponsored retirement plan is a good way to save for the future, reduce tax liability, and earn tax-deferred growth. Some employers will even match contributions.

RIGHTS AND RESPONSIBILITIES

Since you are responsible for repaying your loans, so it's important to only borrow what is needed to cover

necessary and important costs as opposed to borrowing the maximum one is eligible to receive.

Some organizations are incorporated to ensure that individuals borrow responsibly and are credit worthy.

GROWING CREDIT WORTHINESS

Get trusted friends and families to always stand in for you as sponsors and surety in cases when you need to take a credit loan.

- Learn to resolve issues related to credit before debt becomes a burden.
- Continuous poor repayment habit makes you a bad debtor and untrustworthy
- Avoid falling behind with payments.
- Being a bad debtor comes with consequences, which include being banned from borrowing Financial institutions.

CREDIT BUREAU

The credit bureau is an agency that researches and collects individual credit information and sells it for a fee to creditors so they can make a decision on granting loans.

CREDIT AND DEBIT

Debits and credits are used to monitor incoming and outgoing money in your business account. In a simple system, a debit is money going out of the account, whereas a credit is money coming in. Debits are money going out of the account; they increase the balance of dividends, expenses, assets and losses.

Credits are money coming into the account; they increase the balance of gains, income, revenues, liabilities, and shareholder equity.

DANGERS OF MICROCREDIT

A loan can provide numerous benefits, but it is a risk to both you and the lender. The lender runs the risk of lending you the money but not getting fully repaid. And as for your own personal financial health, you can lose money or even your house. This is why lenders employ careful underwriting standards to minimize the risk for both parties.

A personal loan is like a trail map: Use it correctly and you can reach your financial destination. Use it incorrectly, and you can fall further into debt.

Taking out a loan for the wrong reason: If you're considering a personal loan, be sure to explore all of your options before borrowing.

Before you borrow, ask yourself if the money you're requesting is for a need or a want.

Taking the first loan you're offered:

If you don't like what one lender is offering, then you should look for a better offer!

And don't just check out a company's loans, look at their ratings and customer reviews, too.

Skippping the fine print: Some lenders may try to pressure you into signing in a hurry. They may want you to miss certain details like additional fees and charges. Make sure that you read the entire contract before you sign it.

The main aspects you'll want to know before agreeing to the loan are

- 1) The APR,
- 2) The length of the term,
- 3) The amount of your payments, and
- 4) Whether the interest rate is fixed or variable. A fixed rate means the interest stays the same throughout the life of the loan, while a variable interest rate can go up and down.

Accepting More Than You Need: Another tactic that some lenders will employ is offering you more money than what you need. This can lead to higher monthly payments and more money spent in interest and fees. Find out exactly how much you need, and don't be talked into borrowing more.

Social Reputation: Your reputation is the general belief or opinion that other people have about you. If you are considered trustworthy and kind, you have a good reputation. It is how people consider, or label, you — good or bad.

It's observers' collective judgments of an individual based on assessments of financial, social and environmental impacts attributed to the individual over time.

How to Improve your Social Reputation

Connect with people you know on mobile and online.

Find and become part of communities around you.

Avoid negative reviews e.g being a bad debtor on a lending platform.

Social Lender

WHAT IS SOCIAL LENDER?

Social Lender gives access to microcredit based on Social Reputation. You can get quick cash of up to 100,000 naira within 5 minutes after registration. (Maximum of 10,000 naira for first transaction).

With Social Lender, active members of the community can obtain small loans which are guaranteed based on their social profile and reputation. to help meet their impromptu needs from bills payment and fees, to extra cash for emergencies.

Social Reputation Score

Social Reputation Score is generated by Social Lender's proprietary Algorithm and software. It ranks available social profile according to several predefined parameters.

The algorithm pulls information from the social community about the user (based on access granted by the user) to generate a Social Reputation Score. Every user is given a Social Reputation Score in percentage.

A minimum Social Reputation Score of 30 is required before you can apply for loan. However, you can increase this score using a few tips.

Ways to Register on Social Lender

- 1.Via any registered Social Lender agent.
- 2.Via Quick register.

3.Via SMS2Loan.

4.Via USSD

5.Web (www.sociallenderng.com)

Social Lender transactions revolve around the following parties:

The Requestor: This refers to the individual seeking the loan through the Social Lender platform, whose Social Reputation Score is being assessed to determine credit worthiness.

A Borrower is a requestor who is granted a loan after a successful assessment has been carried out.

The Sponsor (s): The individual who vouches for the requestor and shares a joint responsibility for repayment should the loan be defaulted upon. He is also assessed to ascertain credibility (must be registered on Social Lender).

Sponsor:

A sponsor is a person that takes responsibility for part of your Social Lender Cash request. Social Reputation Score is improved by the introduction of a sponsor or guarantor who provides electronic personal guarantee on the personality of the borrower or the transaction.

You can invite Friends, Family Members, Colleagues and Mentors. The more Reputable Sponsors and Guarantors you have, the more credit-worthy you become on Social Lender i.e. your Social Reputation Score increases.

The Sponsor will also be ranked based on the various parameters assessed to form a Social Reputation Score. His reputation ranking will help inform the final decision on whether or not the loan should be granted.

the more credit-worthy you become on Social Lender i.e. your Social Reputation Score increases.

How to get a Sponsor

- 1.Dial using our USSD or send an SMS to our Shortcode.
- 2.Invite your friends or family to guarantee your loan
- 3.A request message is sent to them
- 4.The person accepts the invitation or declines.

Frequently Asked Questions

How much can I request?

Cash Requests ranges from a minimum of 1,000 Naira to a maximum of 100,000 Naira only (maximum amount is 5,000 Naira first time). The maximum amount increases over time based on frequency of successful transactions, providing additional information and inviting Reputable & Trustworthy Friends, Family & Connections to Social Lender.

How much am I charged for each Cash Request?

For each cash request, a transaction fee of 15% of the cash request is charged (per transaction).

I.e. A cash request of 3000 naira will attract a transaction fee of 450 naira only. This is charged as part of the Repayment

amount so the total repayment for a cash request of 3000 naira is 3,450 naira only.

Which Bank accounts are eligible for Social Lender?

All old and new Users who have a valid Bank account are eligible to make cash request on Social Lender.

Time Duration for the repayment of Cash request.

The stipulated time to repay a loan is 30 days. In a situation where a user is not able to repay the cash request by the end of a 30-day period, the user then incurs an extra charge which is added to the principal amount.

CLASSES OF BORROWERS

First Time Borrowers

Above the prescribed minimum social reputation score

Eligible for a micro-loan of up to 5,000

Trusted Borrowers

Frequent users who have paid their debt and service charge as at when due

Increased Trust Rating due to observed credit worthiness

Eligible to borrow up to 10,000 naira or more***

Loan Defaulters

Borrowers who are have not repaid their debts as at when due.

Ineligible for future loans until existing debt is paid

QUESTIONNAIRE

Name:

Phone Number:

Sex:

☐ Male

☐ Female

Age

☐

Less than 18

☐

18-24

☐

25-34

☐

35-44

☐

45-54

☐

55 and above

1. Do you have a bank account?

☐ Yes

☐ No

2. Have you taken a bank loan before?

☐ Yes

☐ No

3. Savings and Investment are ways you can convert income to wealth?

☐ Yes

☐ No

4. Emergency and Retirement are some of the reasons why we need to save?

☐ Yes

☐ No

5. Online banking, POS and ATMs are ways of carrying out transactions?

☐ Yes

☐ No

6. Budget and Investment can help you plan your Money?

☐ Yes

☐ No

7. Trusted friends and family members as Sponsors help you grow your Credit worthiness?

☐ Yes

☐ No

8. Continuous poor repayment habit makes you a bad debtor and untrustworthy?

☐ Yes

☐ No

9. Debits are money going out of your account?

☐ Yes

☐ No

10. Taking out a loan for the wrong reason is dangerous?

☐ Yes

☐ No

FEEDBACK FORM

1. Was the training session useful to you?

☐

Yes

☐

No

2. What new thing did you learn?

3. Do you see a need to open a bank account? If you don't have one already.

☐

Yes

☐

No

4. Do you have a BVN?

☐

Yes

☐

No

5. If your answer to the previous question was No, Are you willing to go to the bank to get your BVN?

☐

Yes

☐

No

6. How would you rate the overall experience?

☐

Highly satisfactory

☐

Satisfactory

☐

Neutral

☐

Unsatisfactory

☐

Highly Unsatisfactory

[illegible]



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