



Financial Literacy Training - 4

Overindebtedness

Swabhimaan, Pune, India, July 2011

Objective of the training

To make people aware of the effects of overindebtedness.

Time

35 minutes

Participants

12-15 members group is ideal

Material

Audio Cassette / CD of a story

Flashcards

Schedule

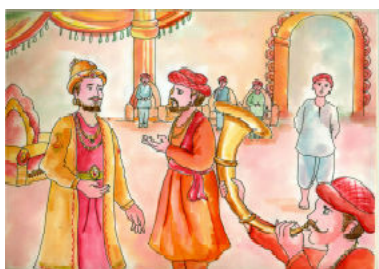
	Subject	Method	Time
1	Introduction to training	Plenary	2 mins
2	Story narration	Audio Cassete	15 mins
3	Discussions / Debriefing	Group discussions	15 minutes
4	Closure	Plenary	3 mins

Introduction to the training

Today we are going to listen to a story of our friend who like you takes a loan. She is like us, lives in the community & runs her small business to meet her daily needs. Listen the story carefully & we can discuss it afterwards.

Should we start?

Story (Audio Recording)



Announcer: Hello everybody, today we are going to visit the Chakrampur Maharaj's darbar. Let us have a look and see what is going on there...

Pradhanji: Attention ! The loan-king Maharaj is going to arrive... beware of pick pockets.

Maharaj: What nonsense! Pradhanji, do you think I am a thief?

Pradhanji: Oh, no, sir, nowadays people have too much money, I told them to take care, what if the notes scatter on the ground when they are saluting you....

Maharaj: Pradhanji, I do not have a penny, and the people are flush with money, how is this possible?

Pradhanji: Your majesty, everything is possible. To know the truth, you will have to get rid of that torn cap of yours... oh, sorry, I mean that crown of yours, change your attire and visit the people. Then you will come to know everything.

Maharaj: Oh is it? Let us start immediately, bring my horse.

Pradhanji: Your horse, your majesty? The tire of your horse, that is, your scooter is punctured, not a drop of petrol and no money for filling petrol. If you want to buy petrol, you will have to sell the chair on which you are sitting now.

Maharaj : Ok then, let us walk.

Pradhanji : Walk?

Maharaj : Walking is a good exercise...

Announcer : Maharaj and Pradhanji reach the Ramnagar area. They see that a lot of women are in a great hurry for something. And who is this woman, there seems to be some activity going on about creating a new group of women, and Phasubai is also with her, let us go and see for ourselves..



Group-Head : Come on, we are late for the meeting, Sir is waiting for us there

Phasubai : But have we got twenty members?

Group-Head : Oh, that was easy. Who would not want money? You also can find a member.

Phasubai : Wait, I'll bring Hasubai.

Announcer : Phasubai goes to Hasubai. Let us see whether Hasubai joins the group.

Phasubai : Hasubai, come, let us go to the meeting, after the meeting you can get a loan easily.

Hasubai : Phasu, I do not want any loan now. My one loan is still going on. When that is over, then I will take another loan.

Phasubai : Are you mad? I have taken four loans, and this will be the fifth.

Hasubai : What, five loans? But why do you need so many loans?

Phasubai : Never say 'no' to money. Why should one keep on thinking about other things? Am I a fool like you to say 'no' to money?

Hasubai : Leave me alone, yes, I am a fool, you go and attend the meeting, I have to go to the vegetable market. Do not waste my time of business.

Phasubai : Ok, go, there are many who are ready to take the loans. Now, whom should I ask for joining the group. Oh, what a bore, to form a group to take the loan, attend the meeting early in the morning, they are really tedious, but if I want a loan I will have to contact somebody. Ok, now I shall ask Bayadabai.



Announcer : Phasubai goes to Bayadabai to ask her whether she wants to take a loan.

Phasubai : Oh, Bayada, come on, we need one person to complete the group, you join us.

Bayada : But I do not want a loan.

Phasubai : Ok, you do not take the loan, I'll take the loan on your name and I'll repay it.

Bayada : Oh, Phasu, but what will I declare as my business?

Phasubai : Oh, that is simple. You just tell a lie that you have a business. That is not difficult at all!

Bayada : Oh, is that so? Ok, I'll come with you and join the group, but I do not know anything about loans and installments. You will have to take care about that, and please do not tell about this to my husband otherwise he will make a scene.

Phasubai : Oh, don't worry! I am there with you, come on...

Announcer : In this way, Phasubai makes Bayadabai a member of the group, by giving false information about Bayadabai's business.

Let us see what our Maharaj thinks about all this...

Maharaj : Pradhanji, Hasubai is a fool indeed. If we send our queen in her place, at least there will be money available for the petrol.

Pradhanji : The queen, your majesty? She has already gone for attending a meeting and she has bought these old clothes ... sorry your attire for you, otherwise you would be without clothes. Let us see what is happening in the meeting.

Announcer : Twenty women are talking with each other. What is the rate of interest, how much is the installment, nobody knows anything. The group-head is talking with all, the loans are distributed to everybody, the women are very happy, but the group-head lingers back, let us see what happens when all the women leave.



Group-head : Madam , please give me my commission. Today I have also to form a group for another bank.

Madam : Here are your five hundred rupees. You are very clever, how can you manage all this?

Group-head : Oh, these women are ignorant, you can easily cheat them. I am here for my commission. Let them suffer!!

Announcer : Oh, this group-head herself is taking a commission, let us see what Maharaj has to say about this..

Maharaj : Pradhanji, this woman seems to be really shrewd. I think I should appoint her in your place and you should retire. She will earn profit everywhere and anywhere.

Pradhanji : Your majesty, just wait and see.... wait and see...

Announcer : Loan disbursement was over, now let us visit Phasubai and see what she does with the money. She has the money of her own loan and Bayadabai's loan. Oh, she is saying something to her husband... let us hear...

Phasubai : Oh, finally I got the loan, I am going to use both these loan amount, my own and twelve thousand of Bayadabai.

Phasubai's Husband : But Phasu, just last week you had taken ten thousand , now what are you going to do with this money?

Phasubai : Bala was asking for a mobile phone since long, now I'll buy one for him. I need a new saree. Now we shall change the old TV and buy the flat TV. They our neighbour women will be green with envy. Today we will have a party, I'll cook the meat. Go to the market and buy one and a half kilogram mutton.

Phasubai's husband : But the installments of the previous loans are still pending, now why have you taken this new loan again?



Phasubai : Will you keep quiet for some time ?

Phasubai's husband : What if they confiscate the weighing stand? Can I sell brinjals per dozen?

Phasubai : Oh, you are so irritating..

Phasubai's husband : no no, we earn two thousand rupees, and the installments are for five thousand rupees, how can we manage this?

Phasubai : Let us not worry about the future. We will not work till this money is finished.

Phasubai's husband : What? Do you mean that I should not sell vegetables today?

Phasubai : Now that we have so much money, why should we work? Till the money is finished, we will just have fun, like a king..

Phasubai's husband : But listen, what to do with so much money?

Phasubai : From this I am going to give a loan to Rakhama on ten percent interest. So we will also have some income.

Phasubai's husband : But what if that money is not returned?

Phasubai : Oh, you will never speak a good word... now go and buy mutton.. I am so tired because of that meeting, and then I have to listen to all this talk.

Announcer : Can you see that people have become lazy because of such easy loans. The husband and wife had a huge quarrel. Oh, what is Maharaj saying about this, let us hear.

Maharaj : Pradhanji, the husband is unnecessarily making her unhappy. After all, Phasubai is doing all this for their home and this fellow does not like it. He should be punished publicly by hanging till death.

Pradhanji : Oh, your majesty! We do not have even a single thread in the palace and you are talking about hanging somebody till death! Oh , look, the queen is on

her way to the palace, go and see whether you are going to get mutton or stale roti for your lunch, then we will come back here again.

Announcer : Maharaj hurried towards the palace and that ended his tour today. Some weeks have passed by, now let us have a look at Maharaj's state of affairs, come on, let us pay a visit to the palace.

Pradhanji: Your majesty, we have to visit the same place, Ramnagar, that we visited some time back.

Maharah : Ramnagar? Ok, let us go, but wait, first listen to the poem that I have thought of, and then we shall go.

Taking a loan

Is a great idea

Gather women and form a group

You get loans fast when you are with a group

Pradhanji : Your majesty, even I have written a poem, but let us not hear it now, we are already late..

Announcer : Maharaj and Pradhanji reached the slum area. They went first to Hasubai's place, Hasubai was the one who had not availed the loan. Oh, and who is this visitor for Hasubai? She is the one who collects savings. Let us see what is happening there.

Hasubai : Madam, please take this money, now what are my total savings?

Saving agent: Eight thousand rupees, but today you have given me hundred and fifty rupees, which is twice the amount you give every day.

Hasubai : Madam, the business was good, so I have given double amount.

Saving agent : Auntie, all others are buried under the burden of installments and you are saving money...

Hasubai : Madam, last time I spent the money that I had saved for building the kitchen platform. Now I am saving money for changing the roof of the house, the rainy season is approaching fast, I have to save enough money before that.



Saving agent : Then why don't you take a loan?

Hasubai : Loan? As soon as I take a loan those agents will be at my door to collect installments. I have decided to save money for the household expenses. If I take a loan for the household expenses, then there will be the interest and there will be no income from it. So I take a loan only if I need it for the business. For other reasons I say 'no' to the loans.

Saving agent : Oh, that is good!

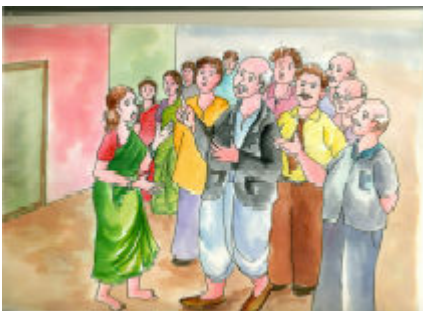
Hasubai : Hurry up madam, today is Saturday, we all have to go and watch a movie.

Announcer: Hasubai is indeed very happy, as happy as her name (hasu means laughter). Let her go to the movies. We'll visit Maharaj.

Maharaj : Pradhanji, how is it that this Hasubai is very happy?

Pradhanji: You have seen for yourself Maharaj. Now let us go to the other place where there is a lot of crowd.

Announcer: There is a lot of crowd in front of Fasubai's house. There are some persons waiting outside. There are a few money lenders and they are quarreling with Fasubai. The group leader is also there and there are some women from the group too. Let us join the crowd and see what is happening there.



First Moneylender: You felt very happy while taking the loan, now why are you so unhappy about repaying the loan? You have to give my installment today.

Second Moneylender: You did not tell me that you had availed loan from somebody else too. You have to give my installment first. You have given me a written commitment on a stamp paper.

Third Moneylender: Fasu, you told me lies that you needed the loan for your business. You have to repay me first. Where is the group leader?

Group leader: Sir, I am not concerned with this. You can take out whatever you want from her house. Fasubai, let them go inside.

Fasubai : Why do you tell them to take the items? You were the one to take me in the group, and now you are not taking my side.

First Moneylender : Come on, take out the assets from the house, take that weighing machine too.

Second Moneylender : Take out everything, don't leave anything

Third Moneylender : Oh, aren't you going to keep some assets for me at all? What about my loan? What else do you have Fasubai?



Fasubai : I only have my own hands and legs now, you can cut them and take them.

First Moneylender : They are of no use to me. Now tell me who are the group members? Confiscate their household items and black list this group. Watch them.

Phasubai : Oh no, sir, I am destroyed, I was a victim of this loans. I shall have to leave this area and go elsewhere. A few months back everything was okay but I was tempted by these loans. I got loan after loan and then I was totally destroyed. My luck is not with me because of these loans. I gave money to Rakhma but she does not return my money, what should I do? Oh, somebody please help me, please let me out of these loans.

First moneylender: You should eat only that much that you can digest, then you will not land into such a situation. **Who is responsible for this ? You yourself**
Phasubai, nobody else.

First Moneylender: Come on, let us go to Bayadabai for collecting the installments.

Announcer: Now Baydabai is in trouble. What will happen to Bayadabai now?

Phasubai has lost everything. Phasubai lost everything because she was tempted to take many loans. I hope you will not do that! Maharaj seems to be very sad. Look, he is almost weeping, let us see what he is saying.

Maharaj : Pradhanji, our people are very unhappy, why has this happened to them?

Pradhanji : Yes, your majesty, many people have taken four or five loans.

Maharaj: What?

Pradhanji : This is nothing. They take a loan for business and spend it for the house.

Maharaj : Oh, my god!

Pradhanji : Some have availed the loan and given the money to others on loan with higher rate of interest.

Maharaj : Oh, that is why people have become lazy and do not want to work anymore.

Pradhanji : Yes your majesty, in your kingdom there are many such Fasubais. It is your duty to warn them.

Maharaj : Yes Pradhanji, you are right, that is why you are the Pradhanji. Tell all the people in my kingdom that it is my order, that everybody should work...

I have to go and tell the women of this country

Lust for money will take them to hell

We do not want to do this

And celebrate by taking loans

and paying installments

More loans means more installments

It becomes a real burden too

I have to go and tell the women of this country

Lust for money will take them to hell

Announcer : So folks, how was Fasubai's story? The main objective of Swabhiman social organization is to prevent any more such Fasubai's in our society.



Debriefing

Tips for the facilitator

Time: 15 min

Facilitator will allow some discussions on the story & ask the feedback & start discussing on following points.

1. What do you think about Bayadabai who took a loan for her & gave it to Fasubai?

When you don't require a loan, you don't need to apply it for other people. Ultimately the responsibility lies on your shoulder if the loan is not repaid. You should not get influenced by other people; otherwise you will fall in financial trouble.

2. Do you pay commission / bribe for getting a loan?

Most of the times, some talkative people or group leader take advantage of your lack of knowledge & force you to give commission. They say that they will get your loan sanctioned for requirement or threaten you that loan might not be sanctioned if you don't give commission.

You need to contact official person of the organization to enquire about the condition & charges for availing a loan. You should never pay a middlewoman.

3. Do you try to know the conditions of loans while taking a loan?

Once you get a loan, you are bound to pay it with interest. Therefore it is very important to know the conditions of a loan. What is interest rate? What is the duration? What is the objective of the organization?

It helps you in taking the right decision.

4. Do you think is it a good strategy to get a loan only for business?

You have seen that Fasubai has not used the loan for business & got into trouble. Hasubai uses her loan for business purpose & savings is used for other purpose.

When you invest a loan in business, it earns more income. This additional income can be used for repaying the debt. It is not possible if you use the loan for other purpose like buying mobile, spending on the items which are not needed.

Therefore, you take a loan only if it needed for business purpose. Otherwise say “NO” to a loan.

5. Do you take 3-4 loans at a time?

You should not take a loan because it is easily available. You need to always think whether you have that much repayment capacity or not. You should be aware of your financial needs & the usage of loan. Easy loans & multiple loans will throw you in debt trap & your situation will become like Fasubai.

Some people take multiple loans & lend it to others. But it is very risky. If this person fails in repaying the loan, you will be in trouble.

You don't want to be Fasubai. Do you?

6. Do you think loan makes you lazy?

What has happened when Fasubai got a loan? She didn't find need to go for work. She wanted to eat & enjoy. But what will happen once this amount is finished? She will not have anything to spend.

This happens because she does not know what do with loan. These unnecessary loans make people lazy.

7. Have you thought on the effects of overindebtedness?

There are many effects of overindebtedness.

- Cannot service the debts regularly and face social and financial exclusion.
- Borrow more and more to service the loan installments and default charges (high rate if it is from local money lender).
- Inability to meet unexpected expenses such as medical, funeral etc.
- High commitment for installment payments which push the household below the poverty threshold
- Burden on the other monthly commitments such as house rent, utility bills etc., and payment capacity will be considered as “very difficult”
- Family breakdown and life events are at risk, lead to frustration, stress and depression.

Therefore wise woman

- Borrows with understanding of terms
- Maintains an emergency savings account

- Makes a plan to reduce debt
- Avoids excessive debt
- Makes loan payments on time
- Maintains a debt-to-income ratio below a specified amount (contextually defined—e.g., less than 33 percent)

Conclusion

From this story, we have learnt that we should avoid excessive borrowing. We should maintain the financial discipline so that our future will be bright & secure.

Our interest should be ourselves!!! And not the loan which we require.

Thank You.