

Financial Literacy Guide for Vallibel Finance Customers

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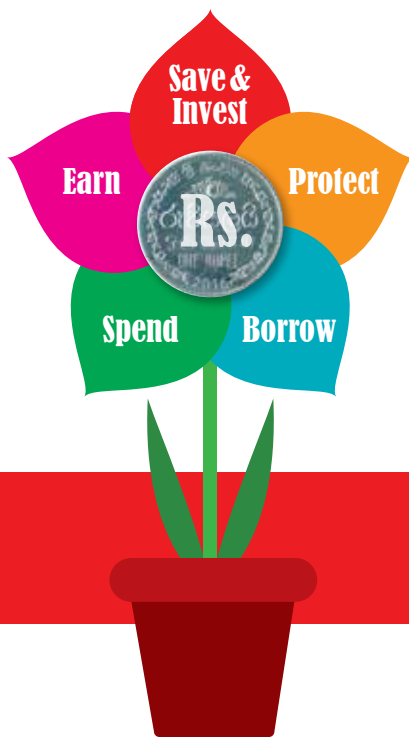
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What is financial literacy?

Financial literacy is the confluence of financial, credit and debt management knowledge that is necessary to make financially responsible decisions that are integral to our everyday lives. A lack of financial literacy affects people in developed or advanced economies, as well as those who live in economically emerging or developing economies.

Important of Financial Literacy?

It aids people in managing their finances and raising their level of living. It also contributes significantly to the financial system's soundness and efficiency, as well as the economy's performance.



**“You can manage your money more efficiently
by practicing financial planning”**

Managing your finances

Financial planning can help manage your money more effectively, but first, you should learn certain key terms linked with money management.

Income: Income is money that we earn regularly from sources such as wages, business earnings, and investments.

Expenditure: Expenditure represents a payment with either cash or credit to purchase a product or service.

Savings: The process of putting aside a portion of current income for future consumption, or the flow of resources collected this way over time.

Debt: Debt is money borrowed that you must repay with interest over a set period.

Investment: Investing is the process of allocating money from our savings with the intention of a larger return over time. Purchase of land, depositing money in a fixed deposit, and so on.

Interest: When we save money in a bank or other financial institution, we earn interest. In addition to the borrowed amount, interest is the amount we must repay when we borrow money from a financial organization.

How to plan your finances

■ Keep track of your monthly spending on things like food, travel, bills, loans, medical bills, and entertainment. This enables you to discover the expenses that can be avoided or decreased.

■ We should aim to spend our money on necessities like food, shelter, clothing, education, and health care while reducing our spending on non-essentials like festivals, exorbitant wedding expenses, gambling, and jewelry.

■ Make it a monthly aim to save a certain amount of your salary. This money can be transferred to a separate account and used only when a genuine need arises. For example, in the event of an emergency such as illness, an accident, or death.

■ Regularly review your savings. Consider investing your cash in a fixed deposit to get a larger return on your money at a later period.

What is a financial saving?

After expenses and other commitments have been deducted from earnings, the amount left over is referred to as savings. Savings are funds that would otherwise be idle and would not be invested or spent on consumption.

Saving helps us to protect against future unexpected events, plan for future anticipated events and build assets.



Expected future events

- Wedding
- Education
- Childbirth
- Old age
- Holidays/ Festivals
- Low-income season

Unexpected future events

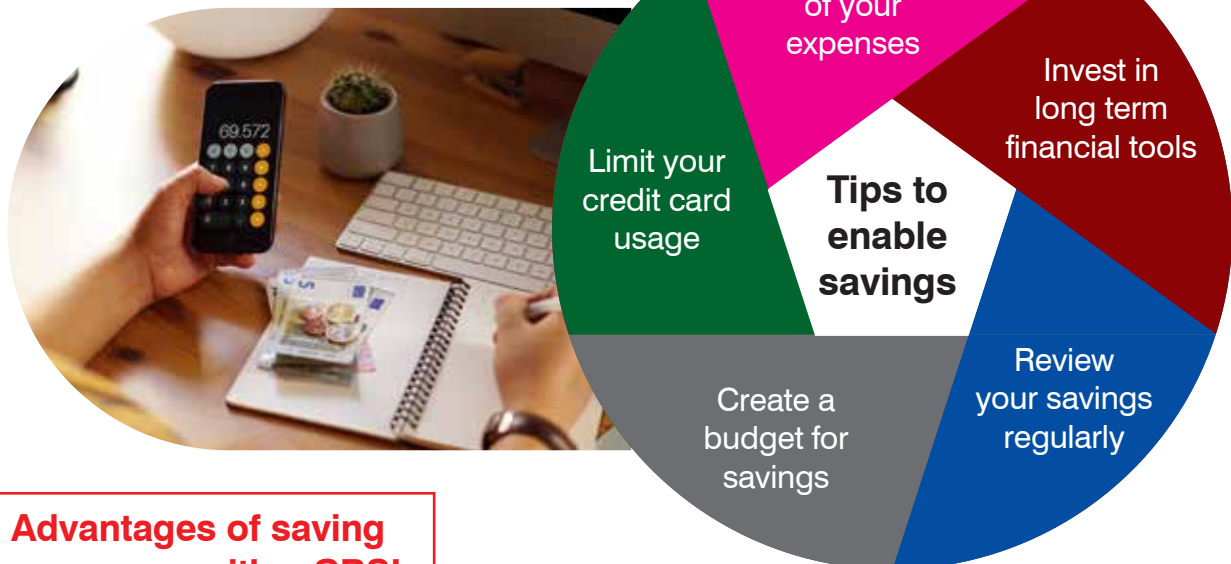
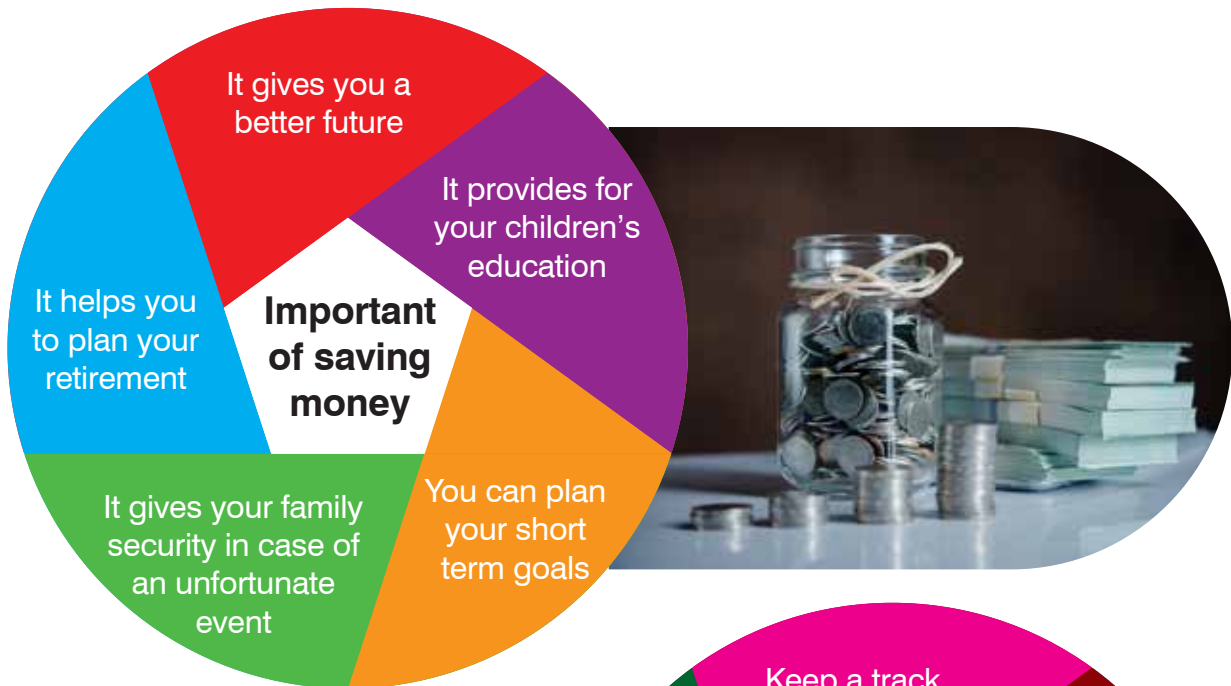
- Sickness
- Funerals
- Emergencies
- Theft

Optional events

- Vacation
- Home
- Improvement
- Luxury item
- Gift

Building assets

- House
- Bicycle
- Motorcycle
- Car
- Business



Advantages of saving your money with a CBSL registered financial institution

- You don't have to be concerned about your money being stolen, misplaced or destroyed.
- Your money will grow because your savings account will earn interest from the financial institution, allowing you to expand your funds over time.
- You have access to extra services such as Customers with savings/deposits accounts typically have access to other important products and services, such as loan facilities and money transfer services.

Credit Ratings

Check your financial institution's credit rating before investing your money with them. This will give you a sense of the company's financial stability.

Credit ratings are mandatory for all regulated banks and finance companies in Sri Lanka and are issued by an independent agency such as Fitch Rating Lanka Ltd or ICRA Lanka Ltd.

The credit rating will indicate the ability of the company to service its promised debts on a timely basis and their risk of default.

The best rating that can be achieved by a company is AAA (Ika) and the lowest is DDD (Ika). Vallibel Finance carries a high rating of BBB+ (Ika) assigned by Fitch Rating which means that the company is very stable.



Borrowing/Credit facilities

A credit or borrowing facility is received from a financial institution to cover expenses such as housing, business needs, education, and consumption, among other things.

The financial institution will charge interest on the borrowed funds, which must be repaid according to a predetermined repayment schedule.

There are various forms of credit facilities that can be used for personal or commercial purposes. Vehicle Leasing Facilities, Term Loans, Short-Term Import Loans, Bank Overdrafts, and Credit Cards are some of the most popular forms.

There are a few points to consider when borrowing

We should only borrow when our expenses exceed our income, when an emergency arises, or when we require funds for commercial purposes.

Before taking out a loan, we should evaluate our income and expenses to ensure that we will be able to repay the loan. Because all loans must be repaid-with interest, we should attempt to limit borrowing for activities that pay us money.

We should not borrow to cover non-essential purchases, weddings, festivals, or other non-income-generating activities.

To repay your present loans, don't take out new loans from various places.

Avoid borrowing from unscrupulous sources like payday lenders. Only borrow from licensed banks and financial institutions since they are safer, more dependable, and have lower interest rates than unregulated sources of revenue.

Repayment of your loan facility

For the following reasons, it is important to repay the loan facility obtained from a financial institution:

- You may be blacklisted if you do not pay your loans or lease facilities on time. This means that if you need money in the future, you won't be able to borrow money from any financial institution.
- Depositors' funds are used by financial organizations to make loans. If we do not repay our loans, the institutions' ability to refund depositors' money on schedule will be harmed.
- If we don't pay back the loan, the financial institution has the power to seize the security we've provided and pursue legal action against us and the guarantors.



Reading and understanding terms and conditions

Before signing any documents to get a financial service from us, you should understand the terms and conditions of the service. Before becoming bound by the contract, you will know what to anticipate from us and what we expect from you.

You can ask us questions about any of the terms and conditions that you don't understand which will help you avoid misunderstandings later on in the contract.

At any time, you can obtain a translated copy of the main papers in your preferred language.

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Legal obligations of guarantors



We strongly advise that you study and understand the terms and circumstances linked with the contract before signing as a guarantor for a loan or lease facility received from someone else.

If the borrowers fail to satisfy their responsibilities, the financial institution may pursue you in court to reclaim the loan or lease.

Many people believe that delivering a guarantee is merely a formality, or that they owe it to a friend, relative, or business partner to assist them. You should be aware that providing a guarantee entails significant financial risk for you and should not be performed lightly.

Steps to take if you are in financial difficulty

At Vallibel Finance, our customers' needs and wellbeing are the focus of everything we do. We understand that unexpected events can happen, and you may find yourself experiencing difficulty in meeting repayments to your lease facility or loan.

If you are in financial difficulty please contact us immediately. The earlier you contact us the easier it is for us to help you find a suitable solution that will help you get back on track.

Our contact details are available here - <https://www.vallibelfinance.com/contact-us>

Products and Services Available at Vallibel Finance

For a details of the products and services available at Vallibel Finance please refer our website on this link - <https://www.vallibelfinance.com/>

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