Mitigating risks of abuse of power in cash assistance

TOOLS: Training cash recipients on formal financial services

KEY ACTIONS
✓ Many cash recipients are not very familiar with formal financial services. It is likely that the cash assistance your organisation provides to them is their first engagement with the service provider you chose to partner with. Raising cash recipients’ awareness of the value of formal financial services increases their trust in payment instruments and can encourage their use to manage personal finances.

**Welcome and introduction**

- **Welcome** the group and share the **objectives of the session**, which are to:
  - Discuss what financial institutions are and the role of regulation.
  - Understand the differences between the 3 types of most common licensed financial institutions and their products and services.
  - Become familiar with responsible finance principles.

**Definition of financial institutions**

- **Introduce this session** by saying: *We talked about how to manage our money through budgeting, how to save and how to stay clear from debt. In today’s session, we will look at how financial institutions can help us.*
- **Ask**:
  - *Why do we need financial institutions?* (Wait for a few responses.)
    - Summarise by saying: to make and receive payments in a safe and secure manner. With most of them, we can also store money and conduct other financial transactions.
  - *Which financial institutions do you know?*
    - Possible responses: commercial banks, credit unions, (deposit-taking) microfinance institutions (MFIs), post office, mobile money services, SACCOs (Savings and Credit Co-operatives), etc.
  - *Do you know which of these financial institutions are regulated?*
    - You want to introduce the idea that some types of institutions are safer than others. Explain that in some countries, MFIs are not regulated to take deposits (savings) but can issue loans. Banks are the most regulated financial institutions but they tend to be mostly present in urban and peri-urban areas. At the other end of the spectrum, Rotating Savings and Credit Associations (ROSCA) – merry-go-rounds – are informal and unregulated groups where members meet regularly to make contributions that are given to a different member each month or week. Only join a ROSCA if you trust the other members. Remittance companies only handle the transfer of funds, including internationally, but they cannot hold deposits.
- **Say**:
  - In every country, there is a Central Bank. Sometimes this is a regional body. In this country, the Central Bank is [name the Central Bank of the country]. Its role is to ensure the financial soundness of financial institutions. It does this through regulation, that is setting standards for the ways financial institutions can operate. This means that the Central Bank checks on financial institutions to make sure that your money is safe with them.

**The 3 most common licensed financial institutions**

- **For each financial institution, present the corresponding visuals (accessible here).**

**A. Commercial banks**

- **Ask** participants to define what they understand by “bank”.
- **Explain** the **characteristics of banks**:
  - Banks give their customers the ability to access funds anywhere and anytime.
Banks offer improved security over cash and provide a means for saving and managing money more effectively than traditional methods.

Banks offer loans, insurance services and a wide variety of financial services.

Banks are often located in urban and peri-urban areas and can be costly because of monthly fees and/or the need to keep a minimum balance.

The main bank payment instruments are bank cards, cheques and wire transfers:

- **Bank cards** are a secured way to carry money on yourself. The card is secured by a PIN (personal identification number) which should be kept secret. Bank cards can be used at ATMs (Automatic Teller Machines) to withdraw money 24/7 and at POS (Point of sale) to make either payments for goods and services or withdrawals.

- **Cheques** are a paper-based secure form of payment that allows the bearer to deposit the value of the cheque into their bank account or to collect it in cash. Cheques are secured by presenting ID to verify the identity of the bearer of the cheque. Cheque cash-out transactions can usually only be made with a teller during bank opening hours.

- **Wire transfers** are only available to bank account holders. To open a bank account in your own name, you need an official ID and often a proof of income and residence.

→ Ask participants if they have ever used banks. If yes, which ones? Ask them to discuss their experiences, including any issues they might have encountered.

Possible answers:
- To receive and send money
- To save money
- To take a loan

**B. Credit unions, (deposit-taking) microfinance institutions (MFIs) and the post office**

→ Ask participants to define what they understand by credit unions, MFIs and the post office.

→ Explain the characteristics as follows:

- Credit unions (similar to banks but smaller), MFIs (similar to credit unions but generally smaller) or the post office have similar characteristics in the sense that they provide entry-point financial services.

- They can offer loans, insurance services and a wide variety of financial services and are usually more affordable than commercial banks as well as more widely spread out in a given country; their proximity and affordability being one of their main benefits.

→ Ask participants if they have ever used the financial services of credit unions, MFIs or the post office. Which ones? Ask them to discuss their experiences, including any issues they might have encountered.

Possible answers:
- To receive and send money
- To save money
- To take a loan

**C. Mobile money services**

→ Ask participants to define what they understand by mobile money.

→ Explain mobile characteristics as follows:

- Most mobile phone companies offer mobile products, enabling you to do the following directly with your mobile phone:
  - Send money to other people (e.g. to your family or friends).
  - Pay water and electricity bills.
  - Pay for fees (e.g. some schools offer you to pay school fees via mobile phone).
  - Pay other businesses which allow you to make payments using your mobile phone.
  - Receive money from other people, from the government or humanitarian agencies, and in some countries remittances.

- Mobile money is transforming the lives of individuals and small businesses globally.

- Mobile money gives you a virtual wallet that you can access from the SIM card of your phone. If you lose your phone, your money is not lost because it is actually held at a bank and not in your phone. This is money that does not expire, unlike airtime, but you do need to keep your phone line active to access your mobile wallet.

- Mobile money fees tend to be lower than those of the other financial institutions we just discussed. Transactions can be carried out anywhere and cash-in (deposit) and cash-out (withdrawal) are done at an agent location. Agents can be found virtually anywhere which makes mobile money very convenient in terms of access.
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Toolkit for humanitarian agencies

→ Ask participants if they have ever used mobile money services. Which ones? Ask them to discuss their experiences, including any issues they might have encountered.

Possible answers:
- To receive and send money
- To save money

Responsible finance principles

→ Say: [Name the Central Bank of the country] developed Financial Consumer Protection Guidelines to ensure that all regulated financial institutions treat their customers fairly. For example, financial institutions have to explain to you everything you need to know about their services and products.

As a client of a financial institution, you have rights. In most countries:

- **You have a right to place a complaint and to receive a response from the institution.** The institution has to treat you with respect and minimise the time it takes to serve you.
- **You have a right to information about the services and products and about all the fees and charges.** If the financial institution is not following what is written in a contract you have signed with them, you have a right to take it to court.
- **A lender should not force you to borrow.**
- **You should be able to access your savings whenever you need them.** However, money on certain savings accounts can only be accessed after a certain period, as you will have agreed with the financial institution.
- **The information you provide to a financial institution should be kept confidential** in line with the laws of the country. They can only share your information with someone else if you agree to it.
- **No financial institution is allowed to ask you for a bribe to access any of their services or for any other purpose.**

Quiz

→ Ask the following questions, let participants discuss, and provide the answer.

- **Q:** You go to the post office because you want to send $100 to your son in the city. The bank teller agrees and asks you to give him $120. Is this OK?
  - **A:** No, the teller did not explain to you the reason for the extra cost very clearly. Before you choose how to make payments, find out about all the fees you will have to pay. Only use the service when you are comfortable with the costs.

- **Q:** You want to pay a utility bill via mobile phone, but you don’t know how, so you go to a mobile money agent and ask him to do it for you. The agent asks you for your PIN, should you give it to him?
  - **A:** No, you should always keep your PIN secret. No financial institution staff should ever ask you for your PIN. Don’t share your PIN, secret code or password, since this could allow someone else to access your money. In addition, do not keep your PIN and phone or your bank card in the same place. Make sure nobody knows your PIN. If they do, they can steal your money.

- **Q:** You go to a remittance agent (like Western Union, Rapid Transfer or Money Gram) to collect a transfer that your son living overseas sent you. The agent asks you for your ID and the secret transaction code. Is this OK?
  - **A:** Yes. These are security measures to make sure that you are who you say you are and the true recipient of the money. That transaction code has a one-time use for that one transfer. Make sure you collect your ID again and don’t leave it with the agent.

- **Q:** You go to a mobile money agent to collect a transfer of $100 but he gives you only $50 and says he will give you the rest tomorrow. Or if you want to access your money in full today, you should pay him $10. Is this OK?
  - **A:** No, mobile money agents should not decide for you when you can access your money. No agent of a financial institution should ever ask you for a bribe. Do not carry out the transaction with this agent and look for another one who will pay you the full amount straight away.

Some tips:
- Make sure you **shop around** before selecting a financial service provider.
- Identify the agents that are closest to your home or close to places that you regularly visit.
- Take a look at the different financial services they offer. Which services do you think would be useful to have? Write them down if necessary.
- **Compare prices** for individual transactions and write them down for at least 3 providers before choosing one.
Conclusion

→ Conclude by saying: Formal financial institutions exist to make and receive payments in a safe and secured manner.

→ Ask:
  - What one thing are you taking away from today’s session?
  - Based on today’s learnings, what will you do differently?

→ Ask for questions and clarifications. Then thank participants for their active participation.


Visuals: Click here to access the visuals in high resolution