



The Journey of Unemployed Adults from Financial Literacy to Entrepreneurship

Financial Literacy Curriculum Content

MODULE 1: Finance For All

Lesson 12: Credit

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A loan transaction is when banks lend money to a person with the expectation of getting it back in the future. A loan is an interest-paying transaction, just like you get interest when you keep your deposit in the bank for a certain period of time. Let's not forget that money has a time value and whoever uses it has to pay for it. This time, the person who takes the loan makes the payment. The person who plans to open a shop opens his shop with the loan he has received and pays back his debt to the bank with the earnings he has earned by working. The bank determines the interest rate that he will pay to the bank. For example, let the loan interest rate be 15% per annum.

Lesson 12: Credit

The person who opens his shop with a loan of 1,200 lira from the bank, after working for a year and earning money, keeps his promise to the bank and pays back the loan with interest. The interest amount is calculated as 180 lira ($1,200 \times 15\%$) and paid to the bank. It also pays back 1,200 lira. The bank takes both this 1,200 lira and 180 lira with interest, and pays you back your savings, including interest. Banks research very well the people to whom they will lend, and then they agree to lend if they are convinced.

Banks know the people to be trusted and they give your savings, which you have accumulated with great effort, as loans to these reliable people. Thus, the bank fulfills its duty and provides a great benefit to you, the shopkeeper and the country's economy.



Lesson 12: Credit

The sooner you get acquainted with the concept of credit, the better.



Credit rating

A **credit rating**, also known as a **credit score**, is a **numerical representation of an individual's or a company's creditworthiness**. It is used by lenders, such as banks, credit card companies, and other financial institutions, to assess the risk of lending money or extending credit to the borrower. Credit ratings help these lenders make informed decisions about whether to approve credit applications and determine the terms and interest rates associated with the credit.

Credit score components

Current Account and Debt

Good and bad current accounts are taken into account.

New Credit Product Launches

Although there is no payment performance yet, recent loans increase the risk ratio and lower the credit rating.

Credit Usage Intensity

The credit score of the credit user and regular payment may be higher than the one who does not use credit at all or less.

How to increase credit score?

- ✓ Making regular and timely payments
- ✓ By following the credit score and risk report
- ✓ Taking into account the intensity of credit utilization
- ✓ By restructuring the credit and credit card when it is difficult to make payments

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