FINMARK TRUST

Making financial markets work for the poor

Abridged version: Financial Education Toolkit

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Introduction

With almost 2.3 billion people lacking access to banking and other financial services, the need to expand financial inclusion is at the forefront of policy-making worldwide. From a macroeconomic perspective, financial sector depth is correlated with growth and poverty reduction. At the individual level, access to financial services provides poor people with the opportunity to invest in income-generating activities, to build assets, and to protect themselves from shock and exploitation. Over the past decade, sub-Saharan Africa has seen considerable expansion in financial services offerings and this trend is likely to continue, helped along by strong economic growth and innovative new technologies. However, financial inclusion is not simply about physical access to products and services - it is also about an individuals' ability to appropriately engage with them. Sub-Saharan Africa has one of the lowest levels of financial literacy in the world and the associated lack of knowledge and skills to use financial services appropriately has resulted in continued high levels of financial exclusion.

Low income groups in this region effectively live a hand-to-mouth existence, where they allocate money on a daily basis to subsistence living without having long term objectives. These circumstances place this group at a high risk to any unplanned financial shocks, such as illness, death of a family member, destruction of property or theft. Moreover, due to the lack of financial planning and management, even anticipated expenses, such as school fees, become difficult to afford. With increasing access to credit, these people are able to borrow to cover their expenses and are becoming increasingly over-indebted. This is further worsening their situation.

Thus, it is becoming increasingly important to not only improve the provision of financial services to previously excluded individuals, but to also offer people the knowledge, skills and confidence needed to plan and manage their money better and make sound financial decisions. The provision of appropriate financial education can assist in providing this knowledge and skill and ultimately lead to improved financial capability, an integral component of responsible, inclusive and sustainable financial systems. Without financial capability, people often find themselves in an indefinite cycle of poverty.

Interest in financial education (FE) has increased across the world and it is now widely recognised as an effective tool to help the poor manage their little and irregular finances. However, impact studies have shown that for FE to be an effective tool, it needs to be tailored to the needs of the people it is aiming to help. Given that research has shown that the ability to make wise financial decisions and people's level of financial wellbeing improve with the level of their financial literacy, it was opportune for FinMark Trust to examine the current FE programmes available in an attempt to help identifying best practices and provide guidance for adapting FE programmes to be more effective and at the same time provide general learning's for designing and implementing effective FE programmes. To this end, FinMark Trust, with the assistance of a team from the consulting firm Genesis Analytics, developed a **Financial Education ToolKit**.

This is an abridged version of the FE ToolKit pack, included in the full pack are eleven best practices in FE programme design and implementation, an in depth case study of the FE component of a savings led, savings and credit programme in South Africa, a list of steps that should be followed when designing a financial education programme, a mini-toolkit for monitoring and evaluation and links to useful resources.

The full FE ToolKit pack is available on the FinMark Trust website: www.finmark.org.za

Best practices

Following a review of over 60 FE programmes from across 30 developed and developing countries, with a specific focus on sub-Saharan Africa, the following best practices relating to the design and implementation of FE programmes were identified.

Defining objectives and expected outcomes

Project objectives, expected outcomes and project delivery need to be considered from project inception. Defining the project objectives, target audience and identifying the specific need for the intervention, as well as the resource limitations, will help to inform how the programme is delivered.

Some of the projects reviewed offer FE as a component of, or complement to, primary financial products, others integrate financial education as part of a holistic approach to improve livelihoods, and some still follow a specific mandate to educate consumers of their responsibilities and rights with respect to engaging with financial (formal and informal) products and services. Most of the projects reviewed fall under one or more of the following objectives:

- Consumer protection and awareness
- Product uptake and improved usage
- Personal/organisational development

Financial education programmes and their ultimate results also vary based on short-term programme goals and long-term objectives. The design of the intervention will therefore depend on what the organisation is trying to affect. For example, knowledge and attitudes can be influenced through relatively short interventions; whereas behavioural change takes time.

Securing trust and meeting expectations

Financial matters are serious, highly sensitive and often emotional and securing the trust of the participants in the programme, particularly the facilitators or trainers is imperative. Having community members/peers conduct the training and making the expected outcomes clear to participants from the outset help in achieving this trust, and emphasises the importance of attaining the buy-in of both trainers and beneficiaries by communicating the benefits of FE.

Misaligned expectations can result in disappointed and sometimes alienated beneficiaries and trainers, thereby undermining the ability of the intervention to deliver upon its goals. For example, a schools-based

FE programme implemented by a large bank incorrectly created the expectation that learners who performed well in the programme would receive bursaries from the bank. This undermined the programme's ability to foster trust in the formal banking sector, and left learners and educators feeling disillusioned.

Trust and the clear articulation of expectations can be achieved through a number of ways, such as training the trainers in their own financial well-being (detailed below), implementing a 'demo' training session or facilitating a discussion with a community member who has already received the training.

Language and literacy

When designing an FE programme, the language of delivery needs to be carefully considered. Trainers who speak local dialects are an advantage. Key concepts such as 'compound interest' and 'investment' are, however, often difficult to translate, making the ability to explain even more critical to the effective delivery of the training. Involving a number of trainers who speak a particular language in the translation process will help with this as it is often not specific words that need to be translated, but sometimes concepts, phrases or metaphors that are required to get messages across appropriately. Where translation is necessary, this should be applied to facilitators' guides, participants' hand-outs, SMSs and any other training materials. Where low literacy and illiteracy are common among beneficiaries, customised training tools, such as visual materials, images, and audio support may be required. In fact, regardless of literacy levels, the use of stories and pictures is often a very popular and effective means of delivering complex FE messages.

Training arrangements

Training arrangements should accommodate the lifestyles of the participants and need to be flexible around community commitments such as market and harvesting days. The location and time of the training sessions also need to consider issues such as transport, culture and geography. Effective delivery of the training material also requires a careful balance of session length and frequency. For these reasons, it is often useful to incorporate training into existing activities such as community meetings and to involve beneficiaries in the decision-making process around the timing and structure of their FE sessions. Another important consideration is the logistical implications of particular delivery methods – for example, the screening of modules via DVD requires access to electricity, projectors and screens, which is often difficult in rural areas. It is also helpful to provide beneficiaries with some material that they can take away with them – even basic budget tables, or key pointers that allow people to refer and consult at a later point helps to consolidate the learnings, as well as presents the opportunity to share the information with family or friends.

Train-the-trainer

To improve the quality of FE training, it is important that the trainer is adequately prepared and confident to deliver the FE content, be able to answer questions beyond the scope of the FE programme, and allow for and create discussion around people's own financial lives. Facilitators should therefore undergo thorough and on-going training, first to address their own financial wellbeing, and then in the delivery of the FE programme. If they personally benefit from the training by incorporating improved financial practices in their own lives, they will be motivated and have greater confidence to conduct the training and pass on their learnings. This will also help them feel capable to field questions outside of the topic or material they have access to. Detailed and well developed resources, such as facilitators' guides, are also vital to preparing facilitators and ensuring the integrity of the rollout. Trainers should also provide feedback on the FE content and delivery methodology and should be involved in the on-going development of the FE content.

Leveraging existing structures

Using established social and physical infrastructure or programmes from which to leverage FE provides a regular entry point into the target audience and assists in the process of securing participants' trust. Examples include schools, churches, community meetings and savings group meetings. Organisations like SaveAct provide an excellent platform from which to leverage FE because good financial behaviour is already embedded in the savings model and facilitators are well positioned to understand and respond to the intricacies of the diversities across the communities in which the organisation operates. Using existing community structures also assists in securing the critical trust element (described above), as well as existing energy from within community groups.

Lifecycle interventions – Teachable moments

It is important to make teaching material relevant to the age group targeted and take into consideration the possible circumstances facing that group. "Teachable moments" are those moments where individuals face an event or decision that will affect their lives, and in most instances, their financial circumstances. Picking up on these "teachable moments", is where financial education is likely to have the greatest impact and provides a good opportunity to influence decision making. Examples of these "teachable moments" include students about to leave school, marriage, having children, young adults entering the workplace, and retirement. These moments can, however, also apply to day-to-day financial decisions. In SaveAct's case, examples include members deciding what to do with their share-outs, or choosing between buying shares and paying off their loans each month, and thus in the case of SaveAct, the financial education messaging has been aligned to the annual cycle of a SCG and the respective decisions made throughout the year.

Applicability and practice

Successful FE programmes usually follow the "learning by doing" model. The practical application of skills immediately or soon after FE training supports knowledge retention and enhances understanding of the content. The immediate contextualisation of the content also enhances the likelihood that members will internalise the learning and implement it in their own lives. This can be done through “mock” products or transactions and can relate to a financial service provider’s real product suite. Models like savings and credit groups are once again an excellent example of a platform off which to leverage FE because members can apply what they have learnt through the FE immediately during their savings meetings.

Understanding context diversities

It is critical to tailor FE to the relevant social and cultural idiosyncrasies. There is no “one-size-fits-all” solution to FE; projects must be customised according to the context in which they are delivered. Implementers and curriculum designers must therefore understand any social expectations around gender, religion, and economic status. For example, many projects found that splitting target groups by gender allowed for more openness around money matters and facilitated sharing and engagement.

Constant innovation

FE must follow the trends in the environment in which it operates. Firstly, FE must keep up with the changing demands of the consumer market and product innovation in the financial industry so that the beneficiaries have accurate information for their situation. Secondly, continuous review and revision of FE curricula and designs, particularly focusing on new learning and teaching innovations help to ensure that FE curricula are fresh for each specific target audiences. This may include the use of mass media and technology, which can provide a platform for economies of scale and public accessibility, or alternative teaching channels such as edutainment through games, drama, role-play or music.

Monitoring and Evaluation (M&E)

It is crucial to be able to evaluate the impact of FE interventions in order to determine which programmes and methodologies are the most and least effective, and why. In order to do this, M&E should be embedded into the programme from the outset of its design - objectives need to be defined and indicators need to be identified, and continuous monitoring is required thereafter. Two approaches to M&E should be employed concurrently in order to track both the on-going functioning of the programme, as well as its overall ability to achieve its objectives, namely progress and impact monitoring. It is also important to be aware of the context as well as other interventions in order to accurately attribute the observed impacts/changes to the current intervention. Generally, however, there is a scarcity of evaluation frameworks, reports and mechanisms in FE programmes.

Ten steps to designing an FE programme

1. Identify the **need** for an intervention
   What is the motivation for designing and implementing this FE intervention?

2. Isolate the **audience** who will be receiving the FE training
   Who does the intervention hope to target? Do these people require different delivery strategies?

3. Survey the target audience to ascertain their **baseline** knowledge and specific needs
   What are the financial challenges facing the target audience? What are their existing levels of financial knowledge, skills, attitudes and behaviours?

4. Clearly define the **objectives** and **expected outcomes** of the programme
   What do we want to achieve and what do we expect to flow from implementing the programme?

5. Develop a **monitoring and evaluation** strategy
   How are we going to ensure that our programme is working and meeting the objectives we set?

6. Draft appropriate content and **contextualise** for the target audience's demographic profiles, environment and cultures
   Is the content relevant and will the people receiving the financial education relate to it?

7. Select a suitable **method** and platform to **deliver** the FE
   Where and how are we going to implement the financial education? Are there existing social or logistical structures we could use?

8. **Pilot** the programme and make changes based on any feedback received
   Does the programme work; are there any issues with content or delivery? Can we make changes to make the programme run more smoothly?

9. **Train** the trainers on their own financial well-being and the delivery of the FE content
   Are the trainers financially capable themselves? Are the trainers adequately prepared to impart the financial education well?

10. **Implement, refine and review** the programme
   Including the embedded monitoring and evaluation strategy

Monitoring and evaluation

It is crucial to be able to evaluate the impact of FE interventions in order to determine which programmes and methodologies are the most and least effective, and why. Monitoring and evaluation (M&E) allows you to check if a programme has had an impact and what can be done to improve its effectiveness and maximise its efficiency.

What is it?

Comprehensive M&E processes should be put in place to keep track of the programme's performance against clearly defined objectives. Monitoring and evaluation should be employed concurrently in order to track both the on-going functioning of the programme, as well as its overall ability to achieve its objectives.

1. **Process monitoring**, is designed to extract a constant stream of feedback on the on-going performance of the programme. This allows for immediate action to resolve challenges as they arise, and to constantly improve the programme on the basis of the feedback received.

2. **Impact evaluation,** constitutes a thorough investigation into the programme's performance on targeted indicators over a period of time. This type of evaluation typically involves baseline and endline measurement of these indicators, after which analysis is conducted to establish the programme's impact.

Why is it useful?

M&E provides a wealth of information on the 'dos and don'ts' and 'what works and what doesn't', thus, not only providing useful information relevant to the programme being evaluated, but also to others wanting to implement financial education programmes of their own. Reporting these learnings in a formal manner allows them to be shared and can inform how programmes can be designed and improved. Furthermore, more donor institutions are requiring that M&E be an integral part of projects funded by them, to ensure that they are receiving the greatest value for their investment.

How do you use it?

To ensure that M&E is effective, it should be planned and budgeted for from the inception of the project. These are the steps that every M&E framework should follow:

1. Set objectives

- Formalise what is expected to flow from the FE programme. These flows can be broken down into three categories; outputs, outcomes and impacts: outputs are the more tangible immediate results flowing from the intervention, such as the number of people reached, training sessions conducted and number of SCGs formed; outcomes are the longer-term objectives related to changes in knowledge, attitude and behaviour, such as increased savings and lower levels of indebtedness; impacts are high level flows, such as reductions in poverty and a happier population. The figure below illustrates various levels of financial capability at which FE can target.

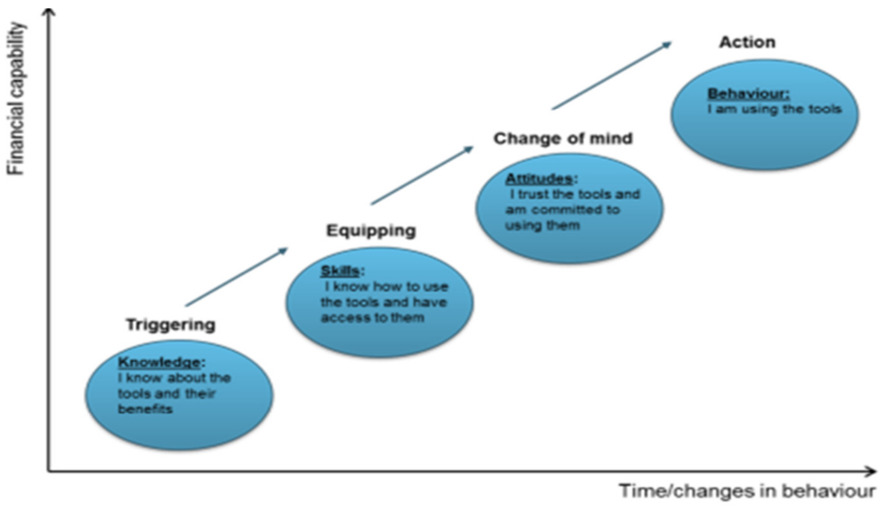

Figure 1: The components and growth of financial capabilities over time

- A theory of change should be developed during this step; it describes how an intervention or project is expected to achieve its desired results. This involves a discussion of how inputs are converted into outputs, and how outputs lead to outcomes and eventually an impact. It is important for the all assumptions to be stated and external factors considered. As can be seen in the figure below, evaluation takes place during the entire process.

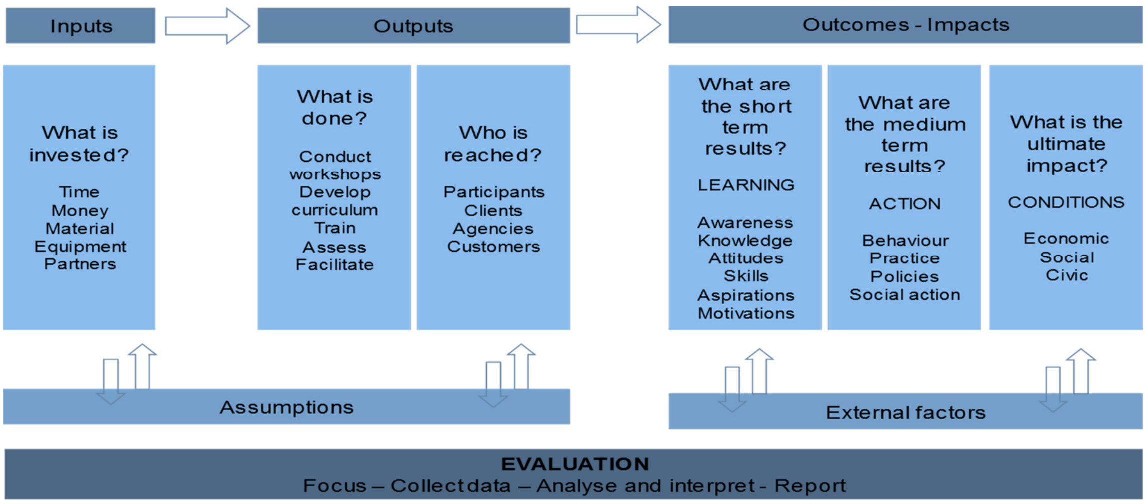

Figure 2: Diagram of theory of change with interactions

2. Identify appropriate indicators

- Indicators are observable variables, which measure one aspect of a project. These should be chosen by their link with the objectives of the project and to each of the stages of the theory of change. When selecting indicators, they should be: relevant to the programme; feasible to collect;

easy to interpret; able to track changes over time; cost effective; and, measurable in a timescale relevant to the project.

- Illustrative examples of indicators that might be relevant for FE programmes include the % of participants that:
  - Are making use of budgets regularly
  - Are managing to pay their bills and expenses on time
  - Have a savings plan
  - Have not borrowed from a *mashonisa* or other informal lenders in the past 6 months
  - Are saving money regularly
  - Maintain an emergency savings account
  - Have drawn up a will
  - Save for funeral costs
  - Are able to communicate more openly with their families around financial matters

3. Set targets

- Targets and a timeline for the project should be set. These should be directly linked to the identified target audience, messaging, delivery channel and corresponding scale and budget.

4. Draw up an M&E implementation plan

- Once objectives have been set, indicators chosen and targets have been fixed, a plan on how the project will be monitored and the impact measured should be drafted. The purpose of the plan is to ensure that consistent and reliable results are ascertained. It should include:
  - A diagram or map showing the data flow and key data management processes. This includes the data source (where does the data come from), data collection (who, when, how), analysis (what are we trying to describe), reporting (when and how) and use of data (who is interested in what); and,
  - A clear assignment of roles and responsibilities at each level of the data management.

5. Identify attribution

Whether changes observed can be attributed to the intervention or something else is becoming more of a concern for major donors, as governments, taxpayers and businesses are demanding to know if their money is being put to good use. To identify attribution, the link between the activities of an intervention, and the resulting changes, the following should be conducted:

- A baseline measurement to establish what the current knowledge and behaviour of the participants are

- An endline measurement using the same assessment criteria as the baseline. This will allow for the comparison of knowledge and behaviour before and after the intervention

- A follow up assessment could be conducted three to six months after the project's completion to determine whether there have been any lasting or unexpected impacts

- Preferably, individuals who have not received the FE (the control group) would be used to estimate what would have happened to the beneficiaries had the beneficiaries not received the FE. This enables the evaluation to attribute changes in outcomes directly to the FE.

When FE is effectively embedded in a programme, it may be difficult to split the attribution between the FE and the programme. However, this is usually not important if the two components are expected to achieve the same results, as long as the harmony and reinforcement between the two are maximised.

Design and implementation evaluations

In order to elicit the specific desired information from an evaluation, not only does the right type of evaluation need to be implemented; it must be initiated at the right point in the 'life-cycle' of a programme. Impact evaluations are therefore not always appropriate for programmes at a relatively early stage in their implementation.

The evaluation of SaveAct was a design and implementation evaluation, as opposed to an impact evaluation, and consisted entirely of qualitative research and analysis. The development of these questions was informed by the DAC Criteria for Evaluating Development Assistance, which provides best practice criteria for evaluation design. The criteria recommend investigation into five core aspects of a programme's performance: relevance; effectiveness; efficiency; impact; and sustainability. Each of these aspects was explored so as to ensure thorough insight into the successes and challenges of SaveAct's FE component. This was done by structuring the research questions according to four categories: relevance of the content, impact, timing and delivery. Examples of these questions are given in the table below:

Relevance of the content	What are the most important financial issues/challenges in your daily lives?
Impact	Have you changed your behaviour because of what you have learnt through the financial education?
Timing	Does it suit you best to have the education sessions at the same time as the SCG meetings, or would you prefer to have them conducted separately and if so when?
Delivery	How do you feel about the trainer – are they the right person to deliver this messaging to you (e.g. are they a financial role model; are they able to answer your questions and demonstrate the behaviour they're teaching etc.)?