

FINANCIAL EDUCATION



A PATH TOWARDS INCLUSION

Approaches and experiences with financial education methodologies for savings targeted to low-income populations

 **PROSAVINGS**
Accounts that Count



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Multilateral Investment Fund

Inter-American Development Bank, 2012
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November 2012

This document was written by Avril Perez of the ProSavings team, under the supervision of Andrea Reyes, Program Coordinator, the direction of Fermin Vivanco, and the cooperation of Diana Mejia of the Development Bank of Latin America (CAF).

The contents hereby incorporated were extracted from the presentations that took place on September 14, 2012 during the Workshop on Financial Education for Savings Targeted to the Low-Income Population, organized by the ProSavings team and the Development Bank of Latin America (CAF). The presenters included Anamitra Deb from Monitor Group, Sergio Guzman from Smart Campaign, Margaret Miller from the World Bank, Jaime Ramos from the Instituto de Estudios Peruanos, Ana Pantelic from Fundacion Capital, and Maria Jaramillo from Microfinance Opportunities.

This document must be treated as a memoir from the workshop. Thus, any opinions expressed herein belong to the presenters and do not necessarily reflect the official position of the Multilateral Investment Fund or its Directory.



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Photo by: YVES LÉSEN.



INTRODUCTION

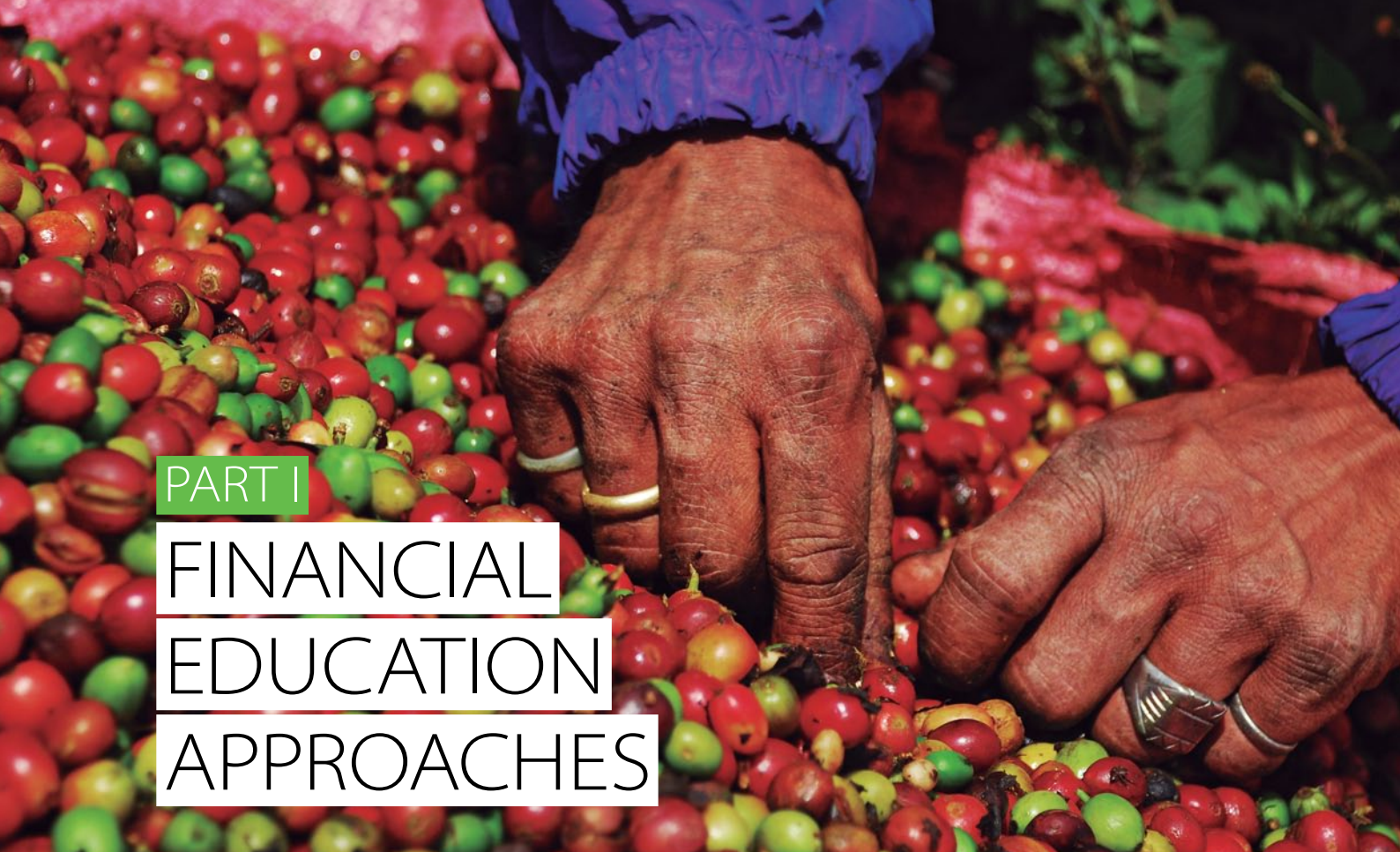
The Multilateral Investment Fund (MIF), member of the IDB Group, has incorporated increasing access to finance within the Latin America and Caribbean region as one of its operational approaches. Therefore, the MIF's Access to Finance Unit actively promotes the financial inclusion of the region's low-income population through its ProSavings Program. This program promotes financial inclusion by adopting a supply-side approach. From the MIF perspective, financial inclusion is achieved through the access to a product and service offer that is tailored and responds to the needs of its target population, and that is implemented in a way that guarantees frequent and appropriate use. Therefore, ProSavings focuses on supporting financial entities in the development and implementation of liquid and planned savings products targeted to low-income people, especially to the recipients of government payments and conditional cash transfers.

Each project developed under the ProSavings framework incorporates a strong financial education component. This is done with the purpose of ensuring that the Program's beneficiaries adopt these products and learn to use and manage them in such a way that optimizes the short and long-term benefits they have to offer. Nonetheless, ProSavings and the MIF recognize that implementing financial education strategies for the lowest income segment is not an easy task and there are many challenges and lessons to learn in that respect. Studies conducted by Accion and the Center for Financial Inclusion revealed that out of 301 micro-finance institutions, 66% identified financial capability as the main enabler of financial inclusion; yet 57% also identified it as a main barrier.¹ These figures support the case for increasing the knowledge on the topic of financial education and stress the importance of achieving industry-wide collaboration to exchange information on methodologies, challenges, solutions and best practices.

1. Deb, Anamitra and Kubzansky, Mike. *Bridging the Gap: The Business Case for Financial Capability*. Monitor Group. pg. 7.

To this end, on September 14, 2012, the ProSavings Program in collaboration with the Development Bank of Latin America (CAF) organized a workshop on financial education. Its purpose was to broaden the discussion on the different existing approaches to financial education targeted to the low-income population and to share the experiences implementing different methodologies, identifying key components, results, challenges, and lessons learned.

This workshop featured the participation of active members in the financial inclusion realm, who contributed by presenting on the different approaches and financial education programs implemented around the world that target the low-income population. Participants included representatives from Monitor Group, Smart Campaign, the World Bank, the Instituto de Estudios Peruanos, Proyecto Capital and Microfinance Opportunities.



PART I

FINANCIAL EDUCATION APPROACHES

1

MONITOR GROUP

Presentation by Anamitra Deb

Currently between 500 and 800 million clients enjoy some type of access to the formal financial system. Yet despite progress in matters of global financial inclusion, more efforts are required to address the 2,5 billion people that remain unbanked².

Monitor Group and the Citi Foundation recognize that there has been a shift in the way people think about financial inclusion. Previous efforts on this subject mainly focused on access; but this is no longer the case. According to these entities, financial inclusion is not solely contingent upon access, but also requires financial capability, specifically financial education.

With this in mind, Monitor Group and the Citi Foundation carried out a research study featuring over 90 organizations. This project focused on examining financial education models in six countries across four continents, during eight visits. This task's main objective was to identify the existence of a business case in any of these models.

The study also conducted a literary review and carried out interviews with industry experts to understand their different viewpoints on the subject. It also selected models that excelled for

². The 2,5 billion unbanked individuals refers to the world's adult population. In other terms, roughly half of the adult population in the world remains unbanked.

being innovative and good sources for information gathering. Little focus was placed on the models' curriculum or on matters of instruction; rather, the study focused on identifying the existence of a business case.

Two innovative models specific to Latin America and the Caribbean stood out from this research. Both of these utilized client segmentation to establish a business case for delivering financial education.

DELINQUENCY MANAGEMENT

The first of these models was executed in the Dominican Republic by ADOPEM Bank. Its approach consisted on delivering financial education to "at risk" clients. This refers to those clients that do not meet their payment responsibilities at all, or on time. Upon identifying this client segment, ADOPEM delivered its financial education model, whereby clients learned to improve their money management. The cost of implementing this model was US\$14 per client.

By focusing on "at risk" clients, the bank reported a 40% improvement in the receipt of payments. In terms of scalability, this segmentation method reported having the capacity to reach up to 10% of ADOPEM's client base, a figure that enhances the business case for this strategy.

TRANSACTION INTERCEPTION

The second model was implemented in Nicaragua by BanPro, where it used segmentation to focus on the recipients of remittances. This model intercepted clients at key transaction points, i.e. when clients entered branches to process deposits and withdrawals. Then, it proceeded to deliver training on financial education topics and upon conclusion, offered clients the option of opening a savings account.

In this way, BanPro helped the client make a better use and gain a better understanding of financial services and also motivated the practice of formal savings. The cost of implementing this model was US\$4,2 per client. This model's breakeven point is dependent on the number of clients that agree to open a savings account.

DELINQUENCY MANAGEMENT	TRANSACTION INTERCEPT
Dominican Republic	Nicaragua
BANCO ADOPEM	BANPRO INTER-AMERICAN DIALOGUE
CUSTOMERS Segments existing customer base to focus financial education on "at risk" customers	CUSTOMERS Remittance recipients at BanPro
FINANCIAL EDUCATION 8 hours/customer, delivered by trainers in a group setting, over sessions carried out during the course of 2 weeks, with individual 1-to-1 follow-up	FINANCIAL EDUCATION 1-to-1 intercept training at transaction points; 25-30 min/customer, delivered by trainer
PRODUCT LINKAGE Credit	PRODUCT LINKAGE No-frills savings product, with the possibility of cross-selling of products
COST AND BUSINESS MODEL High cost per customer at US\$14; break-even at 21%, though Banco ADOPEM suggest 40% improvement in repayment rates	COST AND BUSINESS MODEL Cost per customer es US\$4,2; break-even depends on conversion rate to savings accounts
AT SCALE Reaches 10% of the customer base. Selective targeting approach means model has limited applicability	AT SCALE 10.000 customers in Nicaragua; experiments in 8 countries have reached 146.000 customers

Sources: Primary interviews, Research; IFMR: <http://ruralchannels.ifmr.co.in/kgffs-metrics/>

Research Results

The results of the study revealed a large financial capability gap. It was estimated that only 25% of the 500 to 800 million people that have some access to formal financial services, have received basic financial education.

The study also identified financial institutions that are currently working to address this financial capability gap. Some have turned to delivering trainings on issues such as money management, understanding personal finances, financial discipline, and budgeting. According to Monitor's study, 75% of the institutions it interviewed had a financial education pilot or a program in place. Out of these institutions, it was reported that 56% were currently exploring ways to scale-up these pilots or conduct improvements to the existing programs.

Lessons Learned

One of the main lessons learned from this study is how little it is really known about the clients and their demand for financial education. In other words, there is a lack of focus and evidence on what clients really want and need to know on the subject. Very few institutions have segmented their clients according to demand, preferences, or level of financial capability and education. There is also a lack of information on the value that clients assign to financial education or even if there is a price they would be willing to pay to receive it. Monitor Group recommends further exploring these aspects when strategizing for business cases in delivering financial education. Furthermore, it encourages institutions to take into account the advantages of offering financial education; which include fostering client loyalty and retention, reducing delinquency risk, and implementing cross-selling strategies.³

Through its work, Monitor Group has identified different levers; in other words, several components that once integrated are capable of achieving full financial inclusion. The following model illustrates the spectrum that makes up financial inclusion. This model conveys that financial education is not mutually exclusive and that successful financial inclusion is dependent on the integration of other components such as; appropriate regulatory action, better product design tailored to the client, more dissemination campaigns, and codes of conduct to promote the transparency of client information.

³. Cross-selling refers to the strategy of offering complementary products to those that the client already utilizes or plans to utilize.



Source: Deb, Anamitra and Kubzansky, Mike. "Bridging the Gap: The Business Case for Financial Capability". Monitor Group.

2

THE SMART CAMPAIGN

Presentation by Sergio Guzman

Smart Campaign was created as a joint effort from the microfinance industry to promote global standards for consumer protection.⁴ Founded in 2008, Smart Campaign promotes an industry that provides transparent services and fully integrates client protection into the operations of microfinance institutions. In this way, the Campaign seeks to distinguish the microfinance industry as a leader of responsible finance.

⁴. The Multilateral Investment Fund is currently supporting Smart Campaign's efforts including partnering on the newly developed Client Protection Certification Process launched on January 24, 2013. The Certification Program will enable financial institutions worldwide to demonstrate their adherence to core Client Protection Principles as verified by third parties.

Smart Campaign acknowledges that the client protection process already incorporates elements of financial education and thus, presents an opportunity to expand upon it. Under this same rationale, it recommends that financial education become part of the process that has already been established with the client and emphasizes the importance of having a clear concept of client protection principles and a thorough identification of the key points for client interaction. To this end, it has introduced a guide to aid financial institutions to incorporate client protection principles when it comes to savings.

Smart Savings: Client Protection in the Savings Process

Smart Savings consists of a guide designed to help microfinance institutions that provide services for savings or deposits, to identify the appropriate practices that must be implemented when extending a product or savings offer.⁵ This guide also helps institutions to identify key points of interaction with the client and learn how service providers can guarantee an effective client protection.

METHODOLOGY

The guide divides the savings process into five phases:

1. Promotion and Sales
2. Application and Approval, where the institution guides the client through the process of filling out an application
3. Opening and Servicing the Account
4. Accepting Deposits & Paying Withdrawals/Interest
5. Closing the Account

Each of these phases is segmented across different service points (or points of interaction with the client). For each service point, the guide demonstrates how a microfinance institution can integrate good practices for client protection into its policies and operations. It also identifies the client protection principle that corresponds to each point and provides recommendations for the use of tools that can aid financial institutions to improve their practices.

During the **Sales and Promotion** phase, the institution promotes its savings products among potential clients. This entails conducting a public dissemination of the terms, conditions, fees, interest rates, and minimum balance requirements. The institution's staff must be adequately qualified to communicate with clients in their local language and in ways that are easily understood. Lastly, the institution must ensure compliance with all the local legal restrictions to market its financial services.

5. The Smart Savings guide can be downloaded at: <http://smartcampaign.org/tools-a-resources/286>.

The **Application and Approval** phase consists of the institution guiding the client through its policies and its application process. It is important for credit agents to be well trained in data management and on conveying how client data is protected. This also includes helping the client establish savings goals.

In the **Account Opening and Management** phase the institution instructs the client on how to manage a savings account. The process of opening an account allows the client to ask questions and clear any doubts. During this phase it is important to provide clients with copies/duplicates of all the signed documents.

The fourth phase labeled **Withdrawals and Payments** consists of the institution satisfying the clients' savings withdrawals and of paying out interests on time. The institution must provide clients with easy access to comprehensive information on the account. It must also train tellers to utilize all the appropriate means to verify the identity of its clients and third parties before accepting deposits and issuing withdrawals. Tellers must also provide a verbal summary of the transactions conducted prior to concluding their interaction with the client. Lastly, clients must be notified before and immediately after their account balance falls below the minimum amount authorized.

For the last phase, **Account Closure**, the institution complies with the client's request to close the account and also closes inactive accounts only after multiple attempts to notify account holders. This requires the institution to provide account closure receipts to all the clients that terminate services.

SMART CAMPAIGN

7 CLIENT PROTECTION PRINCIPLES

1. Appropriate product design and delivery

Providers will take adequate care to design products and delivery channels in such a way that they do not cause clients harm. Products and delivery channels will be designed with client characteristics taken into account.

2. Prevention of over-indebtedness

Providers will take adequate care in all phases of their credit process to determine that clients have the capacity to repay without becoming over-indebted.

3. Transparency

Providers will communicate clear, sufficient and timely information in a manner and language clients can understand so that clients can make informed decisions.

4. Responsible pricing

Pricing, terms and conditions will be set in a way that is affordable to clients while allowing for financial institutions to be sustainable.

5. Fair and respectful treatment of clients

Financial service providers and their agents will treat their clients fairly and respectfully. They will not discriminate.

6. Privacy of client data

The privacy of individual client data will be respected in accordance with the laws and regulations of individual jurisdictions.

7. Mechanisms for complaint resolution

Providers will have in place timely and responsive mechanisms for complaints and problem resolution for their clients and will use these mechanisms both to resolve individual problems and to improve their products and services.

3

WORLD BANK

Presentation by Margaret Miller

The World Bank is also an advocate of scaling-up global efforts to deliver financial education. However, it follows an approach that focuses on using financial education to achieve behavioral change, rather than on delivering information or training on financial education topics to the client. To this end, the World Bank has worked on studying and identifying the elements that can effect behavioral change and support a good financial conduct.

There are different strategies to implement financial literacy and financial capability models, such as: delivering financial education at schools, in the workplace, or to key population segments – pregnant women, new mothers, newly employed individuals, etc. Nonetheless, the World Bank recommends turning to mass media for innovative ways of delivering financial education. The following table shows key figures that hint at the potential to reach individuals and households via technology and other means of communication.

Keeping these opportunities in mind, the Bank suggests using entertainment education, “edutainment”, to increase financial capacity at a global scale. Because entertainment education is still a recent concept, no impact evaluations have been conducted yet to validate its effect. However, the experiences with entertainment education in areas of family planning, domestic violence, global health, among others, provide evidence of its positive impact.



KEY FACTS

HOUSEHOLDS	INDIVIDUALS
▶ 1,8 billion households	▶ Global population is 6,9 billion
▶ 1,4 billion TV households	▶ 5,3 billion mobile subscriptions
▶ 640 million pay TV households	▶ 4,3 billion mobile subscribers
▶ 600 million households with PCs	▶ 2,2 billion internet users
▶ 550 million households with internet access	▶ 824 million mobile internet users
▶ 100 million households with internet TV	

Sources: United Nations, ITU, Gartner, Nielsen, Rodriguez Consulting Analysis.

Advantages of the “Edutainment” Model

- ▶ Eliminates selection bias, whereby only the most interested and informed individuals seek financial education.
- ▶ Can be utilized to: inform, change attitudes, introduce skills to model after, and support changes in normative behavior.
- ▶ Cost-effective way to reach large numbers.
- ▶ Appropriate for reaching new clients in developing countries with limited literacy, numeracy, and lack of experience with basic products.

Disadvantages of the “Edutainment” Model

- ▶ Changing people’s attitude towards the concept of finance is a challenge, given that traditionally the financial system has been depicted in a negative way in the media, especially during recent years.
- ▶ The business model of commercial media has long stimulated consumerism, depicting financial decisions in an unrealistic manner. The dominant message has been to spend rather than to plan or save.

“Edutainment” Models

The following initiatives have been implemented to promote financial capability and literacy:

- ▶ **Contracorriente** a Central American soap opera, supported by Women’s World Banking (WWB) and the Bill & Melinda Gates Foundation, which delivers messages on savings and pregnancy prevention among teenage women.
- ▶ **Kwanda** a reality show based in South Africa about developing entrepreneurial skills.
- ▶ **Scandal** a TV show funded by the World Bank on debt management in South Africa.

Other opportunities for financial education include:

- ▶ Mobile apps as a dissemination channel
- ▶ Videogames that promote financial literacy
- ▶ Digital narrative
- ▶ SMS/Text messages to reinforce the practice of savings
- ▶ Online money management tools



PART II

EXPERIENCES IMPLEMENTING FINANCIAL EDUCATION

1

INSTITUTO DE ESTUDIOS PERUANOS

Presentation by Jorge Ramos

The Instituto de Estudios Peruanos (IEP) has incorporated financial education in programs that seek to promote savings among low-income clients in Latin America. These programs and their results are detailed below.

Promotion of Savings in JUNTOS Families

This program, implemented in Peru, benefitted 24.366 women and concluded in June 2012. Its general objective consisted on promoting the use of savings accounts and basic financial services amongst the beneficiaries of the government payment program JUNTOS.

Additionally, the program sought to:

1. Promote asset building by facilitating access to inclusive financial services as a mechanism for poverty reduction in rural, low-income sectors.
2. Promote the social and economic inclusion of traditionally excluded segments; and
3. Foster a culture of family savings among the beneficiaries.



PROMOTION OF SAVINGS IN JUNTOS FAMILIES (INSTITUTO DE ESTUDIOS PERUANOS, PROYECTO CAPITAL)

COUNTRY	PERU
Beneficiaries	24.366 women
Active	October 2009 – June 2012
Coverage	Departments: Apurimac, Ayacucho, Cajamarca, Cusco, La Libertad, Puno, Huancavelica
Entities Involved	CCT Program JUNTOS, Banco de la Nacion, Ministry of Development and Social Inclusion, CT-CIAS, MINAG-Agro Rural
Objectives	Promote the utilization of savings accounts and of basic financial services
Model	Financial literacy workshops to promote participatory savings, convened in coordination with JUNTOS' managers
Materials	Workbook sets (for beneficiaries and facilitators), puzzles, and flipcharts

COMPONENTS

This pilot's components consisted of the following:

1. Financial training and awareness
2. Financial follow-up
3. Saving incentives

These components incorporated the following topics: the financial system, financial services, formal savings, and knowledge reinforcement.

Financial Education Model

The model used in this program was based on financial literacy workshops to instruct beneficiaries on basic elements regarding the financial system and its language. These workshops were executed in person and interactively by external facilitators.

Finally, this model incorporated the use of workbooks distributed to facilitators and beneficiaries, as well as didactic items such as puzzles and flipcharts.

Evaluation

For evaluation purposes the model incorporated control groups whose members did not receive financial training. It also carried out impact evaluations on both groups by establishing a baseline and an exit poll. Lastly, it conducted qualitative studies on the managers, Banco de la Nación facilitators, women leaders, and other actors.

Advantages of the Model

One of the advantages of using this type of model, given that the facilitators are highly skilled, is that it does not require additional human resources, materials, or many sessions to train the beneficiaries. Another advantage is that it allows for collective learning, which helps to empower the beneficiaries.

Disadvantages of the Model

The lead role of the financial training process lies with the facilitator or manager, who is external to the community where the project is implemented.

Results

- ▶ 42,6% of women who received financial education were aware that their accounts were protected, versus the 18% awareness rate reported by women who did not receive financial education training.
- ▶ 78,8% of beneficiaries who received financial education knew what a voucher was, while only 55,7% from the control group reported knowing so.
- ▶ In the districts where the program was implemented, 40,4% of the surveyed beneficiaries reported having ownership over how the money they earned was being spent, while in control districts this percentage was only 26,4%.

Even though all of the JUNTOS beneficiaries had a savings account with Banco de la Nación, very few were aware of it. In the districts where the program was implemented 31,1% claimed knowing about this account, while in control districts only 23,2% was aware of it.

The percentage of beneficiaries that claimed to have saved part of the JUNTOS money in the bank was 33,7% in the districts where this program was implemented, versus the 3,7% observed in the districts where the program was not implemented.

Innovations for Scaling Up Financial Inclusion

This program has been implemented in Peru and Colombia and has targeted women. In the case of Peru, this program concluded in July 2012 and benefitted 4.910 women. In the case of Colombia, the program is still being implemented and it estimates to benefit 3.279 women.

These programs' main objectives consist of the following:

1. Empower female beneficiaries of the program JUNTOS in Peru and the programs Familias en Accion and Red Unidos in Colombia, by providing them with financial education through means and tools adapted to suit their context and their resources - all of this with the purpose of developing these women's financial capabilities.
2. Implement a sustainable methodology for expansion at a national level.

Components

1. Awareness
2. Training on the modules featured in the educational materials
3. Follow-up
4. Reinforcement through the use of audiovisual materials and mobile technologies

The financial education themes covered by this project include: risk and vulnerability, savings accounts, financial operations, budgeting, and other financial services.

Financial Education Model

The methodology utilized to deliver financial education involved a mix of strategies. Firstly, it incorporated monthly trainings to "women leaders" or beneficiaries of conditional cash transfer programs, so that these could later deliver the same financial education training to the rest of the beneficiaries. Therefore requiring women leaders to pair up with other beneficiaries and deliver the training.

Furthermore, this methodology was supplemented by the broadcast of soap operas to the officials of the JUNTOS Program in the case of Peru and the sending of text messages to financial facilitators in the case of Colombia. Videos were also streamed inside the agencies of Banco de la Nación in Peru; and in Colombia, these were distributed among the financial facilitators.

Evaluation

A system was designed to measure the results of this project, which took into account the following tools for information gathering: baseline, exit polls, focus groups, and interviews.

Advantages of the Model

The leading role is placed on the beneficiary, which has control over facilitating financial education trainings to fellow beneficiaries.

It facilitates the empowerment of beneficiaries and the ownership of financial education contents, by utilizing materials in the form of comic strips, which are taught by “women leaders”.

Disadvantages of the Model

The success of the training material, which incorporates the use of flipcharts with illustrations, is dependent on the motivation and conviction of the financial facilitator. This requires conducting constant follow-up with facilitators to maintain a high level of motivation.

This model assumes that “women leaders” have a minimum level of education to be capable of delivering the trainings. However, in rural areas of Peru there is a high level of illiteracy; which can present a delivery challenge. However, in rural areas of Peru there is a high level of illiteracy; which can present a delivery challenge.

Results

In the case of Peru some of the preliminary results included:

- ▶ The percentage of beneficiaries holding a savings account increased from 4% to 46%
- ▶ The percentage of women saving for future expenses increased from 24% to 71%
- ▶ 93% of the women interviewed stated that it was good to save at the bank, compared to 47% prior to the pilot.

In terms of impact in both Colombia and Peru, it can be observed that the recipients of government payments have been able to successfully enter the formal financial system. Furthermore,

it has been identified that the recipients have made use of the financial services being offered, with an emphasis on savings accounts. They also exhibit an understanding of the positive aspects associated with formal bank accounts (security, liquidity, privacy). Finally, the project has observed an increase in the empowerment of women beneficiaries and has even identified business ventures that have been developed as a result of this project.

Recommendations for Implementing Financial Education Models

Based on IEP's experiences in the region, a series of recommendations have been outlined for institutions that are looking to implement financial education programs.

1. When an institution's core business does not involve delivering financial education in a face-to-face or participatory manner, it is important to realize that either costs will be incurred in association with the learning curve, or that the institution will need to seek support from other entities with experience in the subject.
2. Horizontal training is simpler to apply and replicate. This allows for a greater inclusion and dissemination of the financial education model to other types of populations that are not necessarily clients at financial institutions.
3. Developing this model's communicational strategy gave the financial institution the leading role in disseminating audiovisual material to supplement in-person training and to develop an informational line of financial education – both of which are required in achieving a comprehensive approach during any intervention.
4. This type of financial education, which employs different strategies, allows governments that wish to scale-up financial education programs associated to social protection initiatives to reduce their costs per beneficiary.
5. Communication strategies and alternative methods require collaboration between financial institutions and government agents, allowing both to adopt complementary roles that will work towards achieving a common goal.

2

FUNDACION CAPITAL

Presentation by Ana Pantelic

Fundacion Capital is an institution that places a strong emphasis on innovation, especially when it comes to savings products. Therefore, it is currently involved in several projects dealing with the topic of financial education that include Proyecto Capital and Activos y Conexiones; which will be described briefly in the following sections. Additionally, Fundacion Capital is also executing an innovative program known as Colombia Lista, detailed in subsequent sections.

Proyecto Capital

Proyecto Capital has operated for three years in seven countries: Bolivia, Chile, Colombia, Ecuador, Paraguay, Peru, and the Dominican Republic. In Colombia, Proyecto Capital involved almost 50.000 people that took part in financial education and incentives that promoted savings. It also involved the participation of Banca de las Oportunidades (BdO), Departamento para la Prosperidad Social (DPS), and Banco Agrario (a public bank and payer of CCTs). Fundacion Capital and the Instituto de Estudios Peruanos manage Proyecto Capital, which is also funded by the Ford Foundation.

OBJECTIVE

Contribute to the financial inclusion of the millions of families living under poverty, by working directly with Latin American governments and their conditional cash transfer programs (CCTs).

By promoting that CCT payments be made through the beneficiaries' savings accounts, the program enables a linkage between the formal financial system and the most vulnerable families; thus fostering trust in financial institutions.

Activos y Conexiones

Activos y Conexiones is a pilot initiative funded by the International Fund for Agricultural Development (IFAD), which is being implemented in select territories of Bolivia, Colombia and Peru.

OBJECTIVE

Contribute to the development of rural areas by improving their use and management of remittances.

To this end, the program works with remittance recipient families, particularly women, by offering guidance on resource management strategies, such as saving in a bank or investing in an enterprise.

The project offers a basic financial education program, which provides tools and useful information to make better decisions concerning savings, investments, and debt management. It also provides guidance on budgeting, saving, and the financial system – how it works, what services it provides, its benefits, and its risks.

Additionally, Activos y Conexiones offers monetary incentives for opening savings accounts, as well as bimonthly prizes for the women who utilize and save in the formal financial system. It also organizes idea contests for productive proposals that are open to those organizations whose members include the project's beneficiaries.

Colombia LISTA

Colombia LISTA is a pilot initiative that is being implemented in Colombia, although the project has received several calls for its geographic expansion in countries such as the Dominican Republic and Mozambique. The project was launched recently in five municipalities of Colombia, with the support of the Departamento para la Prosperidad Social, Banca de las Oportunidades, and Banco Agrario. This project is funded by the Citi Foundation and receives support from the Ford Foundation and the International Fund for Agricultural Development (IFAD).

OBJECTIVE

Utilize innovations in mobile technology to increase the financial knowledge and capabilities of low-income people, in order to promote the safety and growth of their assets.

Financial Education Model

Through this initiative, Fundacion Capital is exploring innovative channels for reaching low-income people in rural areas by providing them with tools that facilitate their access to the financial system and help them make better financial decisions. This project disseminates financial education through an electronic device (an iPad tablet) and particularly targets low-income women, recipients of CCTs in Colombia. This initiative is the first of its kind in the world. Its development required arduous efforts and involved the collaboration of Microfinance Opportunities, which contributed with revisions and feedback to the process of designing interactive educational materials.

Apart from an iPad tablet, the project utilizes an automatic recognition system via customized text messages that are sent to each user's mobile phone upon the completion of an educational module. Also, the use of the tablet is incentivized by mobile credit recharges that are sent automatically to participants.

Furthermore, a system has been developed to share tips on savings and personal finance, based on various studies that demonstrate that small pieces of information are remembered and incorporated into the daily lives of its recipients with greater ease. These text messages and voicemails motivate savings and the use of the formal financial system.

Colombia LISTA's Impact

Given that the project is still in its pilot phase, its results are currently being measured both qualitatively and quantitatively. LISTA relies on technology to obtain quantitative information in a detailed and immediate manner. For instance, when a user registers via a mobile device, a baseline is taken through an entry poll. This poll incorporates the Progress out of Poverty Index (PPI) from the Grameen Foundation and a series of questions on user's behavior and perceptions.

Upon completion of all the educational modules, an exit poll is conducted. This information is relayed immediately to a server that is accessible through the internet and enables a detailed and immediate follow-up from any location.

Once the implementation of the pilot is finalized, the data collected will be compared to that of the savings accounts that each user has with Banco Agrario, in order to assess the user's change in financial behavior. The project has signed an agreement with the bank to ensure access to this type of data and to work in a collaborative manner during the implementation process. Keeping in mind this project's short period of implementation, it is estimated that the evaluation system will collect superior information during an expansion phase.

In addition to these tools, the electronic devices incorporate a telemetric system that allows Fundacion Capital to learn the following:

How is the financial education tool being used? Who is promoting it well? Where is it being used (GPS tracking)?

How long was it used for and in what way? (Data includes tracking of user's login attempts, time spent in each module, the user's achievements via a rating system).

Further, Colombia LISTA will display qualitative results by conducting detailed follow-ups during a pilot phase, interviewing not only program beneficiaries but also strategic national and local government partners such as mayors, social workers, municipal officers, and local managers of Banco Agrario, etc.

Challenges and Solutions

- ▶ Colombia LISTA is an innovative project that has not been implemented anywhere in the world.
- ▶ Delivering financial education through mobile devices involved the design of didactic, interactive, attractive and above all - pertinent content suitable to the target population.
- ▶ The research and development stages required large efforts at executing several focus groups to confirm the various hypotheses.
- ▶ This project implied taking risks and exerting a large effort in order to alter perceptions and clarify doubts. However, once developed, the project also demonstrated being effective and presented prospects for scalability.

Lessons Learned

PROYECTO CAPITAL AND ACTIVOS Y CONEXIONES

Financial education can be a good instrument to advancing financial inclusion and incentivizing the practice of savings and the use of the formal financial system. It also has other benefits such as increasing the self-esteem of its recipients. However, in order for financial education to reach an optimal scale (in Colombia alone there are 2,6 million people enrolled in the program Familias en Accion) it is necessary to identify other strategies for delivering it at a massive level that is efficient.

COLOMBIA LISTA

This project seeks not only to lower the costs to governments and other entities of implementing a financial education program, but also aims to lower the costs incurred by its recipients. To this end, this project has learned to decentralize financial education and instead share its system of self-training directly with the target population, allowing for it to be utilized in rural areas at a greater convenience to people.

3

MICROFINANCE OPPORTUNITIES

Presentation by Maria Jaramillo

Since being founded in 2002, Microfinance Opportunities (MFO) has promoted including the client's perspective into the core of microfinance. MFO studies the financial reality and behavior of low-income families and is dedicated to strengthening the consumer's capacity to make informed decisions by incorporating their perspective into the design and delivery of financial products and savings. In addition, MFO supports financial education initiatives and consumer oriented solutions, often working in collaboration with public and private sector actors. The following details two of such financial education models that have received support from MFO.

Microenterprise Access to Banking Services (MABS)

This model was implemented in partnership with the Association of Rural Banks in the Philippines and with support from the MasterCard Foundation.

OBJECTIVE

Determine how financial education can increase the acceptance and use of mobile electronic wallets and electronic payments.

In the case of the Philippines, the majority of clients can use electronic wallets without difficulty, but do so mainly for sending remittances or processing mobile recharges. However, this model focused on promoting the use of electronic wallets to conduct the following transactions:

- ▶ Loan repayments
- ▶ Savings deposits
- ▶ Withdrawals

Financial Education Model

MFO contributed to this model during its early stages of development by identifying the key points of contact between rural banks and its clients that could be used as levers to deliver financial education. To this end, an evaluation was conducted to determine the types of training that could be delivered at each of these points of contact. This also involved evaluating the capacity of the facilitators to train the clients. Furthermore the evaluation identified the most appropriate tools for delivering financial education at each point of contact.

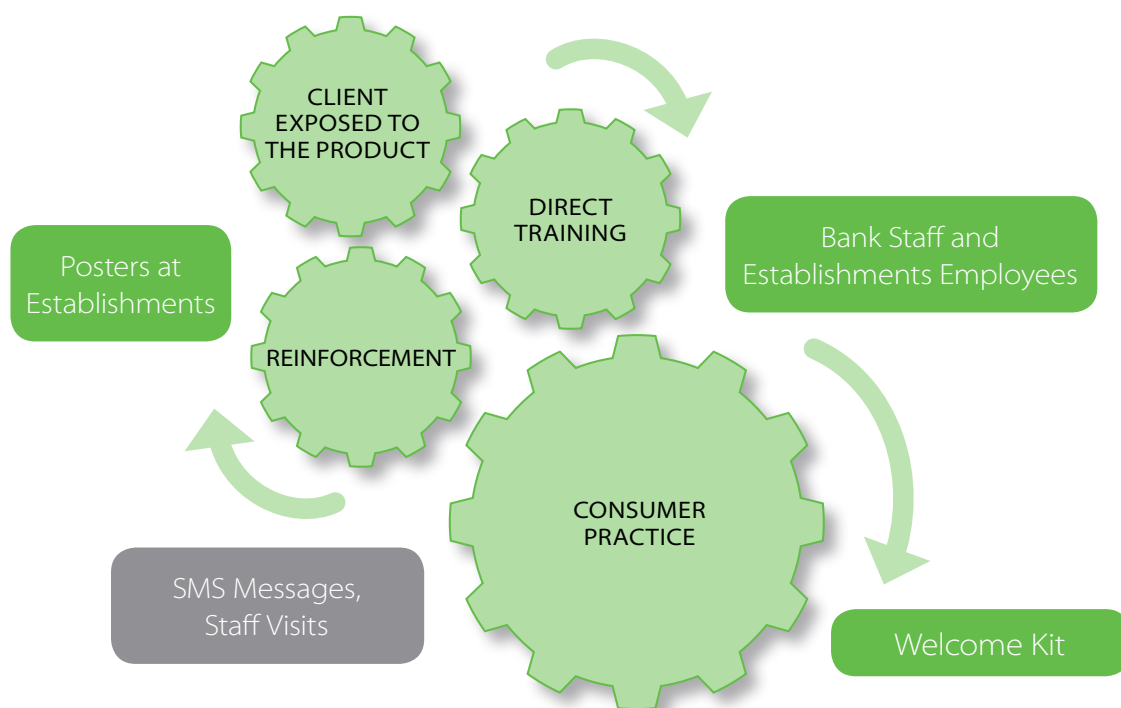
The financial education campaign thus began; firstly, by exposing the client to the benefits of conducting transactions through the electronic wallet, thereby fostering product awareness. To support these efforts educational posters were distributed in agencies and establishments as a marketing tactic.⁶

The second step in the campaign consisted of delivering direct financial training during orientation sessions on the product and/or when the client visited the branch to conduct transactions. This training was short and direct, focused on transmitting clear and specific messages. To complement this effort a flipchart was designed as a self-explanatory tool that illustrated the training's key messages and featured a sales script to guide the facilitator through delivering the training.

The third step required the client to practice the training he/she received. This was done through the use of a Welcome Kit. The purpose of the kit was to help the client to remember the information received during the training and to serve as a reference when conducting transactions on his/her own. To complement these efforts, weekly SMS messages were sent to the clients with reminders and financial tips that stimulated the regular use of the products.



IDENTIFY KEY POINTS OF CONTACT WITH THE CLIENT FOR THE DELIVERY OF FINANCIAL EDUCATION



Fuente: © Microfinance Opportunities | 2012⁷.

⁶. The use of marketing has been an experimental tactic. Instead of rejecting its use, MFO is currently analyzing ways in which marketing can incorporate financial education.

⁷. This illustration reflects how MFO incorporates these key elements in designing financial education strategies.

Results

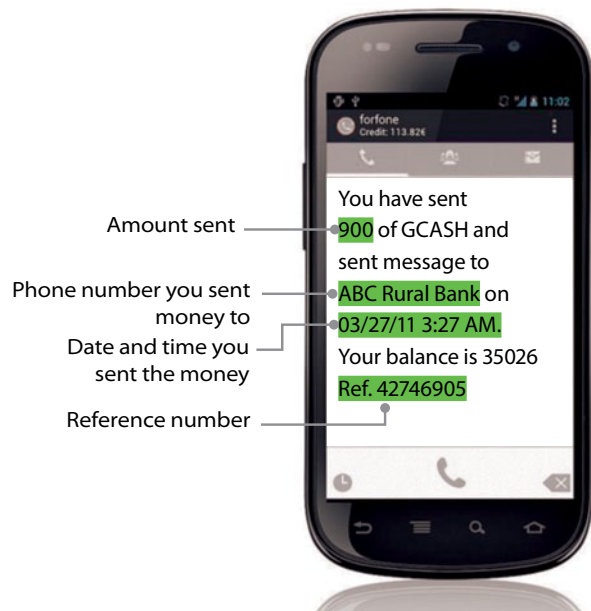
The challenges below were identified during the initial observation stage, before delivering the financial education. Once the model was implemented and adapted to face these challenges, the following results were obtained.

CHALLENGE 1

Upon studying the cause for the low use of the electronic wallet for conducting financial transactions, it was revealed that the clients had difficulty trusting a system that did not issue receipts. Further, it was observed that clients did not fully understand the system's security components – the PIN and SMS confirmations.

RESULT 1

The Welcome Kit designed for the client, explained what a confirmation SMS message was, looked like, and how it functioned. To make the client feel more at ease with these messages, it was made clear that its contents consisted of the same information found in a paper receipt. As a result, client trust increased when comparing a confirmation SMS with the illustration of the SMS included in the Welcome Kit. MFO believes that these types of tools can help strengthen client's trust in systems that utilize technology.



After each transaction you receive a text message receipt.

This receipt shows you the amount of money you sent, the cell phone number you sent it to, the date and time of your transaction.

You also receive a reference or confirmation number.

Source: © Microfinance Opportunities⁸.

⁸ This illustration is based on the Welcome Kit distributed to the clients of the project implemented with the MABS program and the Rural Bank Association of the Philippines. The illustration shows the confirmation message that the clients receives to acknowledge a successful transaction. Tools such as this Kit helped increase the client's trust in the electronic wallet to submit loan payments.

CHALLENGE 2

The client demonstrated difficulty understanding the process of making transactions. It was observed that the client possessed low levels of confidence in making transactions on their own and instead relied on branches and other establishments that could conduct the transactions on their behalf. This was due to the lack of training given to personnel, establishments or to the clients prior to implementing this model. Clients had neither been explained how the process of making transactions worked, nor had they received any guidance materials.

RESULT 2

After implementing the trainings and providing the client with the Welcome Kit as reference material, it was observed that more clients conducted transactions on their own. Further, many of them declared that the kit had helped them to have more trust in the system.

In terms of the SMS messages, these proved to be useful and to generate a benefit to all the recipients. None expressed apprehension in receiving these messages given their positive nature. Results showed 2/3 of the participants altered their financial behavior in the long term. Many reported that the messages were effective saving reminders.

A change in financial behavior was observed amongst twelve interviewed candidates, who demonstrated better money management skills and maintained a higher level of savings. However, it was noted that saving was not necessarily practiced through the bank or the electronic wallet. Four of the respondents reported saving more at home, one reported saving in the bank, and the other through the electronic wallet.



MOST VALUABLE MESSAGES

1.	Save little by little
2.	Reduce spending as a way of saving
3.	Save 10% of your income
4.	Save for emergencies

Disadvantages of the Model

The main disadvantages and challenges of this model are associated with the use of SMS messages to disseminate financial education. For starters, it was difficult to find clients that would keep a valid cellphone number. In the case of the Philippines, it was observed that people tended to change their mobile providers and thus would often switch the SIM card on their phones, preventing the delivery of SMS messages. It was also noted that some people used their cellphones for business purposes and would share their use with other employees. Some people would use the SIM card from the model's provider for conducting banking transactions and would switch their card for a personal one, again preventing the timely delivery of the SMS messages. Ultimately, the mobile provider used to implement this model changed its menu and the costs associated with the electronic wallet. These changes caused many clients to interrupt the service. By the time the client received the SMS messages, the service was no longer valid.

Financial Education Counseling – Consumers International

MFO recognizes a high potential in this model, despite not leading its implementation. The model has been implemented in Kenya and Tanzania by Consumers International, Consumer Advocacy Tanzania, Consumer Information Network and the Youth Education Network.

OBJECTIVE

Provide individual counseling to urban microentrepreneurs on topics such as: savings, budgeting, financial services, consumer protection, and debt management.

Financial Education Model

This financial education model consisted on one-on-one counseling provided at consumer protection centers. An interesting aspect of this model was the development of a financial education guidebook that was easy to print and copy. Relying on this educational material made it easy and affordable to establish counseling centers. Setting these up only required finding a community venue, training the counselors, and having a copy machine to replicate the guidebooks.

CHALLENGES OF THE MODEL

There is not a single absolute way of responding to client needs.

It is necessary to thoroughly train the counselors on the material and on analyzing the client's situation in order to identify the sessions that would be most helpful and suitable to them.

The material must be adaptable in order to remain relevant, while providing the client with comfort and security to discuss his or her personal situation.

It is difficult to conduct short sessions (30 min. each) to identify the level of retention and need for reinforcement; yet this is a key component of the model.

Lessons Learned

There are different objectives for implementing financial education programs and each of which requires a different delivery channel that presents both benefits and challenges. Choosing the appropriate channel involves evaluating its impact in terms of reach and number of clients served, and comparing this with the level of depth that its messages can achieve.

The use of mass media and alternative channels promotes the dissemination of financial information such as tips, guidance, reminders, and pointers on the consequences of financial decisions. On the other hand, the financial education that can be delivered through direct counseling allows people to acquire and apply knowledge, skills and adopt responsible financial behaviors; in other words, to learn by doing.

Several initiatives are currently being implemented in the region that seek innovation in delivery channels with the potential for scalability and delivering messages capable of effecting behavioral change.

Recommendations for Selecting Financial Education Models

1. Defining a strategy is fundamental to identifying the best delivery channel for financial education.
2. In selecting the most appropriate channel, it is important to consider the following criteria:
 - What is the objective of delivering financial education?
 - What is the preferred learning method of the target population?
 - What is adequate dose and depth of messages required to fulfill the objectives set out?
 - What are the costs of the financial education model and what is the available budget?
 - Identify the optimal amount of client interaction time.
 - Ensure the facilitator's capacity to deliver the educational material and adapt the same to best suit the facilitator's capabilities.



CONCLUSIONS

The progress and experiences of different institutions reveal that financial inclusion targeted to the low-income population and the poor is achieved by integrating different components, amongst them financial education. Increasing the access to financial products and services alone does not guarantee their use unless these are designed to respond or adapt to the needs and characteristics of the client. Likewise, a product or service offer will not result in financial inclusion if the client does not understand its value or lacks the knowledge to use and manage it to maximize its benefits. During this workshop, the participants agreed that adopting a product offer - whether such offer is widely available, sophisticated and adaptable - depends to a certain degree on the financial capability of the client. The following reflections and conclusions have been extracted from this workshop's presentations and discussions.

Firstly, financial inclusion initiatives must incorporate a financial education component; and such ought to be tied into the process of interaction between the financial institution and its client. This component must be present upon extending a product offer, opening an account, and procuring its frequent use. Before starting a relationship with the client, it is crucial for the financial institution to have an in-depth grasp of the target population's profile, both of the banked and the unbanked, including information on consumption as well as on their needs and characteristics. Institutions must also have a clear understanding of the level of financial education that the client already possesses and the degree of trust he or she has on financial institutions, in order to fully identify the challenges and opportunities involved with serving the target population.

Secondly, in the product design stage it is important to establish a comprehensive strategy to incorporate financial education. However, institutions must make sure that the type of education that is incorporated be of real value to the client in the future, and that it is not merely targeted to instructing the client on the use of a specific product. Recalling MFO's experience in the

Philippines, the technologies and innovations associated with a financial product offer often run the risk of being discontinued; and if the financial education that was delivered does not go beyond the product, it will not be effective in achieving financial inclusion.

Apart from addressing the design and product offer, it is also crucial for financial institutions to have a clear vision of their responsibilities in terms of consumer protection. The mere process of enacting consumer protection incorporates several elements of financial education and it also presents various opportunities to enhance efforts to inform the client and build its capabilities to become integrated into the formal financial system. According to Smart Campaign, it is essential to keep these concepts present upon identifying an appropriate financial education model.

The workshop's participants also emphasized the importance of defining a target audience and establishing a thorough strategy before designing and/or selecting financial education models. Monitor Group suggested that institutions take into account the costs associated with implementing these models to identify the existence of a business case that can prove profitable. Financial services such as savings can adopt financial education models that support an entity's cross-selling strategies, transforming financial education from a component of social responsibility into an investment. It is important to acknowledge that a business case may not apply to all financial education models, yet further study on the subject can help to identify more opportunities where this can occur.

Another important task is defining a strategy to deliver a financial education model; which requires careful planning to select the appropriate delivery channels and the instructor(s)/facilitator(s). The models that rely on facilitators to deliver financial education, must ensure that they possess strong skills, believe in the value of their work, and are highly motivated to communicate with the client. It is important for facilitators to identify with the concepts being taught, drawing from their own experiences and financial reality to best relate and convey key messages to the client. In order for this to work, the delivery strategy must seek to align the educational objectives with the facilitator's personal incentives. The partnering methodology used by IEP's Innovations for Financial Inclusion has proven to be a successful model; therefore it is recommended that facilitators be members of the communities that are being targeted in order to ensure a better one-on-one relationship with the population.

Lastly, it is important to acknowledge the role of innovation in developing models that effectively contribute to the financial inclusion of low-income and are capable of reaching a global scale including remote locations. It is fundamental to take advantage of the trends in communication technologies to identify opportunities for delivering financial education, as has been done by Fundacion Capital and the World Bank.

This workshop serves as a small sample of the large efforts that are currently underway on this topic and also sheds light on the challenges that must yet be overcome. It is evident that cooperation amongst financial institutions, regulators, and other members of the industry is essential to achieving progress on financial inclusion. Therefore, the ProSavings Program and the MIF remains committed to promoting this sort of cooperation through its various projects and discussion forums.



SPEAKER BIOGRAPHIES

ANAMITRA DEB

Associate Partner, Monitor Group

Anamitra Deb is an Associate Partner at Monitor Group and a founding member of Monitor Inclusive Markets, which focuses on catalyzing market-based approaches to improve the lives and livelihoods of the global poor. He has worked in North America, South Asia, MENA and Sub-Saharan Africa leading engagements in diverse areas including financial inclusion, low-income housing, agriculture and livelihoods, healthcare pricing and delivery models, and impact investing.

Anamitra holds two Masters of Science degrees from Oxford University, which he attended as a Rhodes Scholar, and is also a graduate of Mount Allison University, Canada.

SERGIO GUZMAN

Lead Specialist, Smart Campaign

Since its early stages, Mr. Guzman has played a key role in the Center for Financial Inclusion's Smart Campaign. He currently serves as its representative for Latin America and the Caribbean. Within these two regions he has been responsible for creating networks, forming alliances, and coordinating evaluations. A frequent blogger, he has also contributed by drafting and editing Smart Campaign materials in English and Spanish.

Before assuming his title and the Center for Financial Inclusion, Mr. Guzman worked for the U.S. Congress Subcommittee on Western Hemisphere Affairs, and the Inter-American Dialogue.

Mr. Guzman holds a Bachelor's degree in History and International Relations from George Washington University.

MARIA JARAMILLO

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As Program Manager of Microfinance Opportunities (MFO), Maria Jaramillo is responsible for implementing financial education programs that promote the adoption and use of branchless banking technologies, such as mobile banking and electronic payments.

Maria also focuses on developing new alliances for MFO's financial education programs in Latin America.

MARGARET MILLER

Senior Economist - Finance and Private Sector Development, World Bank

At the World Bank, Margaret Miller has worked for over 15 years on Millennium Development Goals issues and on a wide array of topics relevant to financial sector development, including financial education. In this subject, Margaret has specialized in gender differences and on innovative means for delivering financial education linked to entertainment, also known as "*edutainment*".

ANA PANTELIC

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Ana Pantelic holds a Masters in International Relations and has a graduate degree in Communications from Boston University. She has experience in the realm of international development, research, and education working in the United States, Spain and Serbia. Before joining Fundacion Capital, she worked with USAID in a local economic development project with the Center for Environmental Policy and Sustainable Development in Serbia.

On the topic of financial education, she has led the design process of didactic contents that have been incorporated to the technological tools used in the pilot project Colombia LISTA and has participated in the evaluation of other traditional financial education methodologies.

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Jaime Ramos holds a Masters in Rural Planning and Development from the University of Guelph in Canada. He has a Bachelor's degree in Education from the Pontifical Catholic University of Peru. His areas of interest include rural development, design of program materials, and communication and information technologies.





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