

Financial Education: A Win-Win for Clients and MFIs

Cohen, M., Stack, K. & McGuinness, E.

Elements of a curriculum that can bolster client capacity to access financial services; MFI ability to retain and attract clients

The Microfinance Gateway team would like to thank Microfinance Opportunities for making this highlight available to our readers.

What is Financial Education?

Financial education is teaching the knowledge, skills and attitudes required to adopt good money management practices for earning, spending, saving, borrowing and investing. Participants in financial education become equipped with the information and tools to make better financial choices and work towards their financial goals to enhance their economic well-being.

Why is Financial Education Important?

"Financial education is a tool in the process of coming out of poverty."

Poor people in developing countries share the same goals as all people - economic security for themselves, their families, and future generations. The main difference is that they have fewer resources and opportunities. For poor people, good money management is a daily challenge. Pressures on their cash flow are persistent and often urgent. Future planning becomes difficult when people are struggling to make ends meet on a day-to-day basis. While the poor in developing countries use many creative and sometimes complex strategies to manage their money, these often develop through trial and error rather than by design. They often tend to be more reactive than proactive. Unfortunately, "reactive" money management strategies can have severe repercussions when they deplete assets and place a claim on future income. Financial education has a role in building the capacity of the poor to gain control, become proactive, use information and resources to enhance their economic security and more effectively use financial services. When better informed clients become better consumers of financial services, financial institutions benefit.

Poor people who receive financial education benefit from:

- The knowledge and skills to wisely manage their money;
- The capacity to more effectively use financial services;
- Increased self-esteem and confidence as a result of incremental successes in achieving financial goals; and,
- Greater ability to demand higher quality products and services from their financial institutions.

Institutions providing financial education:

- Attract more clients -- when consumers fully understand financial services and products, they are more willing to use them;
- Better retain existing clients -- institutions that demonstrate concern for their customers by offering financial education are more likely to engender greater client loyalty;
- Gain better market information for use in improving products and services -- feedback from both learner-centered education and informed customers provides input on client preferences; and,
- Have a competitive edge.

1730 Rhode Island Avenue, NW, Suite 609 • Washington, DC 20036 • 202.721.0050 (tel) • 202.721.0010 (fax)

Financial Education: A Win-Win for Clients and MFIs

Designing Financial Education

Developing an effective financial education program requires:

1. Market research -- to learn client preferences for both training content and pedagogical methods;
2. An institutional and human resource assessment -- to understand the skills and capacities of existing staff of the service provider who will deliver the training;
3. A systematic planning process -- to ensure that the information learned in the above two steps is incorporated into the final curriculum.

Market Research

The purpose of the market research is to answer the questions:

- What to teach? (content); and
- How to teach it? (delivery of content).

A variety of market research techniques can be used to elicit information and to allow all involved to obtain ownership in the learning agenda:

- One-on-one interviews;
- Facilitated group and paired discussions;
- Games;
- Simulations;
- Positive deviant interviews (see sidebar), and
- Participatory rapid appraisal exercises (see sidebar).

For more information about market research techniques, please visit the *MicroSave* website at www.microsave.org.

Client Research

- Informs the designers about existing client behaviors, knowledge, skills and attitudes;
- Explores how clients like to learn, how often they want education, for how long and where.

Institutional and Human Resource Assessment

- Generates information about those who will train so the education curriculum can be designed to fit their capabilities;
- Assesses how financial education fits within the service provider's mission; and
- Identifies how the mode of delivery can fit the institutional context.

Financial Education Components

The financial education learning modules integrate the research findings on content and delivery.

Content

Market research was conducted on three continents under Microfinance Opportunities' Financial Education for the Poor Project. For more information on Financial Education for the Poor, please visit www.microfinanceopportunities.org. With support from Citigroup Foundation, this project found a consistent demand for these broad themes of financial education:

- **Money Management:** How to proactively manage money
- **Debt Management:** How to control debt and avoid over-indebtedness
- **Managing Savings:** How to save regularly and in a safe location

Examining **positive deviants** has been an important tool to inform the design of financial education. Positive deviants are those who demonstrate behaviors that are different from the norm and result in positive outcomes where the norm is represented by practices that are generally not desirable.

Participatory Rapid Appraisal (PRA) is a tool used to assist participating communities to collect and analyze information themselves about their own lives and communities with the help of outside facilitators. Results are processed and validated at the time of information collection by groups of peers. Based on a paper by Wright, Graham A.N., Ahmed, Shahnaz, and Mutesasira, Leonard with help from Stuart Rutherford, "Participatory Rapid Appraisal for Microfinance: A Tool Kit", *MicroSave*, Kenya.

Financial Education: A Win-Win for Clients and MFIs

- **Financial Negotiations:** How to strengthen clients' bargaining position vis-à-vis input suppliers, other household members, and financial institutions
- **Use of Bank Services:** How banks work and impose charges; How clients can maximize bank services, interact with banks, and effectively use ATMs.

Pedagogy: A Learner-Centered Approach

The delivery of financial education selected for teaching clients must employ adult learning principles and practices to increase the likelihood that the learners will enjoy and use the education to change their financial behaviors. Adults learn more effectively with a "learner-centered approach." This means connecting learning to what adults already know. Adults must have an opportunity to reflect on new content, relate it to their personal situations, practice using it, and determine how they can apply it. Adult learning pedagogy, which has been widely used by Freedom from Hunger, recognizes that acceptance of new ideas, attitudes and behavioral patterns involves changing one's cognitive, affective and behavioral systems.

Financial Education Curriculum Design

Each identified theme of the training is then systematically designed by incorporating the findings from the research into answers to the following questions:

- **Who?** - profiles of participants and teachers
- **Why?** - overall purpose of the financial education
- **When?** - the amount of time and how it will be used for the training
- **Where?** - extends beyond the location to the entire set of materials needed
- **What?** - content and use of the training
- **What for?** - set of achievement-based objectives for the course
- **How?** - series of learning tasks that accomplish the achievement-based objectives.

Financial Education: A Win-Win for Clients and MFIs

Snapshots of Financial Education Design

The table below depicts the activities of four partners working with Microfinance Opportunities under the Financial Education for the Poor project.

	AI Amana	Pro Mujer	SEWA Bank	Teba Bank
Goal (why?)	Mass marketing of financial education	Training for MFI clients	National financial literacy campaign	Promotion of the use of banking services
Who?	<i>Participants:</i> Poor women and men including clients. <i>Trainers:</i> In house trainers, many of whom are loan officers.	<i>Participants:</i> Poor women clients. <i>Trainers:</i> Contracted university business students.	<i>Participants:</i> Poor working women. <i>Trainers:</i> SEWA Bank team.	<i>Participants:</i> Poor urban and rural women and men. <i>Trainers:</i> Bank trainers and financial services officers.
Content (what?)	Financial negotiation	Debt management	Financial planning and avoidable expenses (weddings)	Why use banks? and effective use of ATMs
How?	Videos and group facilitation	Manuals and worksheets to complete problems and practice	Television spots, short films, street plays	Training classes, mobile ATM to teach clients to use the ATM service
Where?	Presentations to groups in urban households and branch offices using role plays that model behaviors for clients to practice or describe problems for them to solve.	Integral component of village bank meetings held in the MFI branch offices. Training will involve role plays, games, and visual supports such as posters and cards.	The campaign will deliver messages and use media for mass communication to convey messages about financial literacy. Other venues include Town Hall and community meetings.	Peoples' workplaces; rural clients' households. Learning activities combine interactive activities using: exercises, games, problem-solving discussions and hands-on practice.

Future Trends in Financial Education

There is emerging interest in linking financial education to microfinance. This can be seen in The G-8 Action Plan from the Sea Island Summit 2004 (www.g8usa.gov), which underscored the need for promoting financial education more widely in developing countries.

Comments or questions? Contact MoniqueC@mfopps.org.

Financial Education: A Win-Win for Clients and MFIs

Financial Education Projects: Other Key Contacts

<p>Microfinance Opportunities Monique Cohen 1730 Rhode Island Ave, NW Suite 609 Washington, DC 20036 Phone: 202-721-0050 Fax: 202-721-0010 Email: Monique@mfopps.org</p>	<p>Al Amana Hanane Achour 28 Oum Errabia Street Agdal Rabat, Morocco Phone: (212) 63 88 97 46 Fax: (212) 37 68 67 12 Email: hanane@alamana.org.ma</p>	<p>SEWA Bank Jayshree Vyas Shri Mahila SEWA Shkari Bank Ltd. 109 Sakar – ii, Opp. Town Hall Ellisbridge, Ahmedabad 380-006 India Phone: 91-79-658-1652 Fax: 91-79-657-6074 Email: sewabank@wilnetonline.net</p>
<p>Freedom from Hunger Kathleen Stack P.O. Box 2000 1644 DaVinci Court Davis, California 95617 Phone: (530) 758-6200 ext. 17 Fax: (530) 758-6241 E-mail: kstack@freefromhunger.org</p>	<p>Pro Mujer Carmen Velasco Calle Nueve de Obrajés No. 455 Edificio El Zodiaco, Oficina 10 La Paz, Bolivia Phone: (591-2) 2-784711 Fax: (591-2) 2-786804 Email: cvelasco@pro-mujer.org</p>	<p>Teba Bank Henry Pistorius 238 Roan Crescent Sage Corporate Park North, Midrand Private Bag X174 Halfway House South Africa Phone: (011) 27 203-1500 Fax: (011) 27 203-1503 Email: Henry.pistorius@tebabank.com</p>

Related Documents

- Financial Education for the Poor (available in PDF format via www.microfinanceopportunities.org)
- Nine Principles and Practices of Adult Education (see Annex 1)

Annex 1

The Nine Principles and Practices Of Adult Education

Principle	Description
1. Relevance	Learners learn best when drawing on their own knowledge and experience. Learning must meet the real-life needs of the adult, for example job and family life issues.
2. Dialogue	Learning must be two-way to allow learners to interact with the teacher and other learners.
3. Engagement	Learning must involve learners through discussion, small groups and learning from peers.
4. Immediacy	Learners must be able to apply the new learning immediately.
5. 20/40/80 Rule	Learners remember more when visual aides support verbal instruction. Adults remember best when they practice the new skill. (We remember 20 percent of what we hear, 40 percent of what we hear and see, 80 percent of what we hear, see and do.)
6. Cognitive, Affective and Psychomotor Interaction	Learning should involve thinking and emotions as well as doing
7. Respect	Learners need to feel respected and like equals.
8. Affirmation	Learners need to receive praise, even for small efforts.
9. Safety	Learners need to feel that others value their ideas and contributions—that others will not belittle or ridicule them.

The first seven principles are *designed* into the learning activities while the last three are principles that must be practiced in the *delivery* of the learning event.