Can Financial Education Change Behavior?

Lessons from Bolivia and Sri Lanka

Financial Education
FROM POVERTY TO PROSPERITY

Working Paper #4

MICROFINANCE OPPORTUNITIES

Citi Foundation

citi

freedom from Hunger

Microfinance Opportunities
1701 K Street NW, Suite 650
Washington DC 20006 USA
Tel.: 202-721-0050
Fax: 202-721-0010
e-mail: info@mfopps.org
www.MicrofinanceOpportunities.org

For other inquiries please contact either
Microfinance Opportunities or Freedom from Hunger

Freedom from Hunger

1644 DaVinci Court

Davis, CA 95616 USA

Tel.: 530-758-6200

Fax: 530-758-6241

e-mail: education@freefromhunger.org

www.freefromhunger.org

www.ffhresource.org

Global Financial Education Program

www.globalfinancialed.org

Can Financial Education Change Behavior?

Lessons from Bolivia and Sri Lanka

Global Financial Education Program
Financial Education Outcomes Assessment

B. Gray

J. Sebstad

M. Cohen

K. Stack

Updated: December 21, 2009

ACRONYMS

CRECER	Crédito con Educación Rural
FGD	Focus-Group Discussion
GFEP	Global Financial Education Program
MFI	Microfinance Institution
ROSCA	Rotating Savings and Credit Association
SEEDS	Sarvodaya Economic Enterprise Development Services
SMTI	SEEDS Management Training Institute
TSKI	Taytay Sa Kauswagan, Inc.

PREFACE

Global Financial Education Program
Financial Education Outcomes Assessment

Bobbi Gray led the development and implementation of the Financial Education Outcomes Assessment and is the lead author of the final paper. Jennefer Sebstad, Monique Cohen, and Kathleen Stack all provided guidance, contributions and final editing.

MICROFINANCE OPPORTUNITIES

Microfinance Opportunities was established in 2002 as a microenterprise resource center that promotes client-led microfinance. It seeks to help poor people increase their access to well-designed and delivered financial services. Microfinance Opportunities provides action-research, training, and technical assistance in three areas focused on the clients of microfinance services: Financial Education, Microinsurance and Client Assessment.

FREEDOM FROM HUNGER

Founded in 1946, Freedom from Hunger is a nonprofit, international development organization bringing innovative and sustainable self-help solutions to the fight against chronic hunger and poverty. Freedom from Hunger specializes in ensuring that the poor have access to microfinance and health protection services, and life skills training to achieve food security for their families.

CITI FOUNDATION

The Citigroup Foundation, which makes grants in more than 85 countries around the world, focuses its funding primarily in three areas: financial education, educating the next generation, and building communities and entrepreneurs. Additional information can be found at http://www.citigroup.com/citigroup/corporate/foundation.htm

ACKNOWLEDGEMENTS

The authors would like to thank the participation of the "outcomes assessment" team: Maria Perdomo, Rossana Ramirez and Andrea del Granado of Freedom from Hunger, and Danielle Hopkins, Meredith Fox and Lillian Diaz of Microfinance Opportunities. Without their training and in-country partnerships, this study would not have been possible.

In addition, we gratefully thank the participating organizations, their staff members and their clients who all played an important role in implementing and participating in the financial education as well as allowing us to follow them over time to learn from their experiences. Over the two years of the outcomes assessment work, CRECER and Pro Mujer of Bolivia, SEEDS of Sri Lanka and TSKI of the Philippines have worked alongside our team and joined us in learning about the possible impacts of financial education in the lives of microfinance, and potential microfinance, clients.

Finally, we want to express our appreciation to the Citi Foundation for investing in this program.

TABLE OF CONTENTS

Can Financial Education Change Behavior?

Lessons from Bolivia and Sri Lanka

EXECUTIVE SUMMARY

Introduction

In 2003, when Microfinance Opportunities and Freedom from Hunger partnered to develop a financial education curriculum for the microfinance industry, there was very little experience with financial education for low-income populations in developing countries—and most specifically, for microfinance institution clients. Microfinance Opportunities joined with Freedom from Hunger to launch the Global Financial Education Program to respond to this gap. The education development was a grassroots effort that started with market research in which clients shared their financial goals and challenges, and their current knowledge, skills, attitudes and practices as related to managing money. As a result of this program, a unique curriculum tailored to low-income populations in developing countries was developed. Within two-and-a-half years, approximately 350,000 microfinance clients have received training in financial education, and 19 million have had access to some of the key education messages presented through radio, television, print and street theater.

While many basic principles of money management are universal, financial knowledge, experience and behaviors vary widely across individuals, households and populations. For example, young people have much less experience to draw on than older people; wage employees with a regular flow of income may be more regular savers, or rural populations may have much less exposure to formal banking institutions. There is still much to learn about which types of financial education are needed by whom, which methodologies are most effective in improving knowledge, skills, attitudes and practices, and how financial education can be combined with other opportunities to reinforce long-term behavior change.

To date, most of the experience with financial education has been in the developed world, and the jury is still out on whether financial education leads to positive behavior change. The purpose of this document is to explore our understanding of the role that financial education in developing countries can play in the lives of microfinance clients. It briefly reviews the existing literature on the outcomes of financial education in developing countries and highlights the lessons from financial education programs of three microfinance organizations: CRECER and Pro Mujer in Bolivia and SEEDS in Sri Lanka.

Methods

All three partners offered financial education to their clients in three areas: budgeting, debt management and savings. They employed qualitative and quantitative methods to assess client outcomes as a result of this education. Qualitative methods consisted of focus-group discussions organized with clients prior to the training sessions and again several months after the completion of the education. Quantitative methods consisted of very short quantitative surveys that evaluated the key knowledge, attitudes, skills and behaviors promoted in those modules. Pre-tests and several post-tests were conducted immediately following the completion of the training as well as three, six or twelve months after the completion of the training (depending on the partner). Analysis of the quantitative data consisted of simple comparisons of averages. Data analyzed with CRECER also utilized t-tests to evaluate the statistical differences in means. The qualitative data was used to amplify our understanding of outcomes and the processes of change to help in interpreting the quantitative results.

Results

Results from the quantitative and qualitative data from the three partners suggest that knowledge and behavior change did occur. We saw increases in knowledge regarding the product characteristics clients should understand when evaluating their loans as well as how to calculate their debt capacity. There were increases in client knowledge regarding strategies to save, such as reducing expenses as well as understanding the need to save three times the amount of their monthly income for emergencies. In addition, clients who participated in budgeting education were able to identify the parts of a budget as well as its primary function. Putting debt management and savings behaviors into practice were challenged by the food and financial crises experienced in these countries—even when clients aspired to manage debt and increase savings. The only challenge to improving budgeting behaviors was self-discipline; identifying and finding ways to cut costs was the most successful behavior put into practice by these clients.

Analysis

The results suggest that budgeting behaviors are much easier to put into practice compared to savings and debt-management behaviors. This is because the latter two are influenced by many internal and external factors, whereas budgeting behaviors are more influenced by the discipline of the client. Clients wanted to put saving and debt management behaviors into practice, but felt that the food and economic crisis experienced in their countries made it particularly difficult because of fluctuating and uncertain incomes and expenses.

It is important to acknowledge that the poor use multiple formal and informal financial instruments to meet their needs; thus, our understanding of any changes regarding debt management and savings behaviors are restricted to their use of formal financial instruments or formal linkages to those products. Even where we did see increased frequency of savings as reported by the clients, we only asked about savings held with or facilitated by the microfinance institutions. We may have missed changes in savings behaviors as they apply to other or more informal behaviors.

Future assessments of financial education should take into account the formal and informal financial instruments and behaviors that might be present as well as look more deeply into the intricate day-to-day behaviors to really detect whether positive change is occurring. In addition, assessing both internal and external factors that influence decision-making and behaviors are also important when interpreting results and considering impacts.

Conclusion

Our research suggests that when financial education is developed with input from the participants themselves, it can improve their knowledge of debt management, savings and budgeting and can influence positive change in those behaviors as well. Financial education in conjunction with the opportunity to immediately put new relevant knowledge and skills into practice can lead to improved financial behaviors.

The industry's lack of confidence in financial education's impact on a person's financial behaviors and long-term influence on a person's financial risk and management is not necessarily due to the fact that the existing evidence does not show positive influence; it is due more to a lack of coherence of the goals of financial education, inconsistent and sometimes questionable research methods, and the timing of when assessments are completed. In addition, studies that are limited to looking at the influence of financial education on the uptake of a particular financial product are missing a crucial piece of information: client satisfaction with the product being offered. This implies that the design of the financial education and the design of the financial product have to be examined when evaluating the influence of financial education on financial product uptake.

Financial behaviors are fluid, ever-changing, influenced by both internal and external factors. It is risky to assume that financial education as a concept is ineffective when research shows that the more financially literate the clients are, the better their financial decisions and overall financial well-being are compared to financially illiterate clients. This suggests that it is more useful to spend time assessing the factors that make financial education most effective: to whom to deliver it, when, how often, and with which financial concepts and design—and in connection with which financial instruments.

INTRODUCTION

In 2003, when Microfinance Opportunities and Freedom from Hunger partnered to develop a financial education curriculum for the microfinance industry, there was very little experience with financial education for low-income populations in developing countries—and most specifically, for microfinance institution (MFI) clients. Although arguably MFIs had been providing credit training to their clients for years—to help clients understand how to calculate interest owed, repayments, or basic terms of their loans or savings products—there had been no systematic efforts or curricula based on a behavior-change approach to promoting financial literacy for microfinance clients. Thus, Microfinance Opportunities in partnership with Freedom from Hunger launched the Global Financial Education Program (GFEP) to develop and market a financial education trainers' curriculum to respond to this gap.

The strength of this curriculum is that it was a learner-centered approach to financial education, developed from the ground up with the stakeholders who would ultimately receive the financial education. Intensive market research was conducted in multiple countries to decide two key things: "What to teach" and "How to teach it." It was critically important to establish relevancy as well as arrive at a design that would take advantage of "teachable moments," or moments in which the education was delivered with the right content at a time of most relevance for microfinance clients. The market research helped the curriculum developers understand poor peoples' current financial strategies, their goals and how they sought to achieve them, and work with those concepts to build a pedagogical approach to financial education that would contribute to behavior change. The description of this market research approach and curriculum development process is described elsewhere. In addition to the paper on market research, a paper describing the initial evaluation framework for this project outlines the original assumptions, research questions, levels of analysis and measurable indicators.

This paper aims to further contribute to the microfinance industry's understanding of the effectiveness of financial education when delivered to microfinance clients as well as to help the reader understand the complexities of evaluating financial education and provide the lessons learned and recommendations for upcoming research. We will share evaluation results from three microfinance organizations that implemented adaptations of the GFEP financial education with their clients: Pro Mujer and Crédito con Educación Rural (CRECER) in Bolivia and Sarvodaya Economic Enterprise Development Services (SEEDS) in Sri Lanka.

BACKGROUND

At the time when Microfinance Opportunities and Freedom from Hunger were developing the financial education, no evidence from the microfinance industry existed to help understand the impacts of financial education; this remains a key challenge to date. Evidence from the “developed” world context, particularly research coming out of the United States and Great Britain, was revealing a mixed review of the effectiveness of financial education. Although financial education is being implemented across the globe and quite a bit of research has been conducted on that financial education, the jury is still out on whether financial education is effective. According to Adele Atkinson, who reviewed approximately 70 different financial education evaluations, conclusions or generalizations cannot yet be drawn for the following reasons:

Different definitions. There is no shared definition of what financial education seeks to achieve. There are different terms used to describe financial literacy, financial capability, financial education, etc. Is the purpose of financial education about improving uptake of a financial product or about longer-term strategies to reduce financial risks to the household?

Different results. Without a shared definition of financial education goals, there is no consensus on the changes we should expect to see from participating in financial education.

Different target groups. Evaluations of financial education have assessed high school to college students, employees of workplace financial education, microfinance clients, literate to illiterate populations, etc. Different results could be expected for each target group.

Different education methodologies. For some, financial education is advertising, pamphlets, a short 2-hour session with a specific aim to get people to sign up for a retirement plan or a 6-month, once-a-month, hour-long training on various financial topics. It is difficult to draw conclusions from the range of methodologies as questions of “how much education is enough to see impact?” cannot be answered nor can we compare methodologies to understand which ones are more effective.

Different timings. Financial education aimed at adolescents is very different from financial education aimed at adults. The ability to combine financial literacy concepts with life experience appears to contribute to improvement in financial literacy overall.

Different research methodologies. Until now, there are few randomized controlled trials that have tested financial education so that we can control for all the factors that complicate selection bias as well as our understanding of what would have happened in the absence of financial education. Some evaluations follow people over time, some evaluate immediate uptake of a particular product, some evaluations are left to be anecdotal evidence at best.

Questionable research design. Regardless of the type of methodology used, some research methodologies, such as the use of surveys, have been called into question because of the perception that the questions used in surveys or elsewhere are too complicated for the respondent. The questions consequently do not measure the learning outcomes but whether the reader can interpret the question.

Challenge of capturing behavior change. Some financial behaviors do not manifest themselves until a person faces a challenge or an unexpected change; some changes in financial behaviors happen over a long period of time and may not be detected in short-term assessments.

Despite our current inability to draw conclusions about the effectiveness of financial education, we do know the following:

Financial literacy does matter. Low financial literacy in the developed world puts people at a disadvantage in making decisions about savings, retirement, debt management and investments, and consumers who are financially literate are more likely to behave in financially responsible ways. If improvement in financial literacy is needed in more developed contexts, it is even more critical for people living in the developing world in which the landscape of financial products and services is changing rapidly and people live more on the margin. A study conducted in Indonesia confirmed, as in the developed world, that financial wealth was positively associated with financial literacy and that financial literacy predicts demand for and use of financial services.

There are mixed results of effectiveness of financial education in the United States. The JumpStart program targeted towards high school students found little to no knowledge change as a result of participation in the classroom-based personal financial management education. When a different cohort of college students who had also received the education when they were in high school were evaluated, they proved to be far more financially literate than high school seniors, suggesting we might see improvements only as topics taught in high school become more relevant and youth have the opportunity to put what they've learned into practice. Another study conducted with adults who attended high school when their states mandated financial literacy training generally save more and accumulate more wealth than other adults and have a greater net worth. They also found that the long-term benefits of financial literacy training were concentrated among individuals who reported that their parents' savings rates were at or below the average.

Evaluation of the State University of New York's (SUNY) Center for Academic and Workforce Development (UCAWD) financial literacy program for adult learners called Financing Your Independence (FYI) revealed that after participating in the program, students had improved their financial practices, were more confident about their financial management abilities and went on to obtain financial products such as checking accounts and home mortgages. Survey results from the Money Smart financial education training for adults in the United States, which covers the basics of checking, savings, budgeting and credit, indicated positive changes in consumer behavior and improved financial confidence during a 6- to 12-month time period following the course.

There is little known about the effectiveness of financial education in a developing country context, and even less within the context of microfinance clients—where studies exist, the results are also mixed. A randomized controlled trial conducted in Indonesia assigned financial literacy training to a group of unbanked households and assigned financial subsidies, ranging from US$3 to $14, to open a savings account. The study found that the 2-hour financial literacy training—aimed at educating people on the benefits of and how to open a savings account—had no effect on the probability of opening a bank savings account. However, the modest financial subsidies did significantly increase the likelihood one would open a savings account.

This study examined a narrowly defined set of behaviors on whether or not a savings account was opened as a result of the intervention and did not follow respondents over time to see how long the savings accounts were held or whether any other types of financial behaviors were influenced. An important component of evaluations that look at financial education's influence on the uptake of a particular financial product should also take into account the desirability of the product offered and account usage. If financial education's purpose goes beyond product uptake, an important contribution of this study was discovered. When only those people with low literacy levels and low levels of education were analyzed, findings showed the financial education did have an effect on them opening a savings account.

A randomized controlled trial conducted in 2006 in Peru revealed that business education (containing similar themes of financial literacy such as money management, budgeting, etc.)—when comparing clients who receive financial services and the business education to clients who only receive financial services—improved the revenues for the education clients in the month prior to the follow-up study. Most notably, when measuring variations in revenues per month, data showed higher revenues for education clients during poor sales months. Thus, it is inferred that the education helped the clients identify strategies to reduce the fluctuations in their sales during months in which revenues dip—thereby having an income-smoothing effect on the income generated from chronically irregular business cycles that the poor face.

A recently completed randomized controlled trial evaluation with Sewa Bank in Gujarat, India revealed that the women who were randomly assigned to receive the financial education took out twice as many loans as those who did not receive the financial education and were more likely to take out loans to support a financial goal, such as buying a house, expanding a business, or investing in their children's future.

Additionally, results from the 6-month midline (of a full-year evaluation) of a randomized controlled trial evaluation conducted by Freedom from Hunger with adolescent girls and their self-help group mothers in West Bengal, India found that girls who were randomly selected to receive the financial education were more motivated to save their money in the next three months, more confident they could manage their money, believed themselves to the be the best person to make decisions about their money, and saved more often compared to the control groups

> that received no education. However, when comparing knowledge acquisition, there were no significant differences between treatment and control, but there were significant increases in knowledge between baseline and the 6-month follow-up for both treatment and control. It may be that the survey instrument itself influenced knowledge change in the control group or other initiatives regarding financial literacy existed. Overall, the findings show that financial education took the intervention groups one step closer to attitude- and behavior-change.

Although there is not a plethora of evidence on the effectiveness of financial education—especially for microfinance clients—there are several studies under way that will continue to add credible research to answer this question. A randomized controlled trial led by Dean Karlan and Snaebjorn Gunnsteinsson with Fair Bank in the Philippines will address the question of whether it is cost-effective for Fair Bank to add business and financial literacy training sessions to microcredit lending group meetings and will look at the joint and independent impacts of financial literacy and business training on microfinance clients and their communities. An additional study in Ghana with Mumuadu Rural Bank (MRB) led by Karlan, Margaret McMillan and Edward Kutsoati will assess whether financial literacy training encourages customers to take advantage of the savings account products or to make different spending decisions.

THE GLOBAL FINANCIAL EDUCATION PROGRAM

Financial education, as defined by the GFEP, teaches the knowledge, skills and attitudes required to adopt good money management practices associated with earnings, spending, saving, borrowing and investing money. It provides poor people with the tools to make good financial decisions and better manage risk.

Starting in 2003, five initial education modules were developed to address the findings from market research activities: Budgeting, Savings, Debt Management, Financial Negotiations and Bank Services. To develop these initial five modules, five microfinance organizations participated in the market research and development of the modules: SEWA Bank (India); Al Amana (Morocco); Teba Bank (South Africa); Equity Building Society (Kenya); and Pro Mujer (Bolivia). CARD Bank (Philippines) and the Microfinance Center (Poland) subsequently joined the program. Once the partner organizations tested the learning activities on the ground, they were turned into generic modules that can be adapted and used in different places.

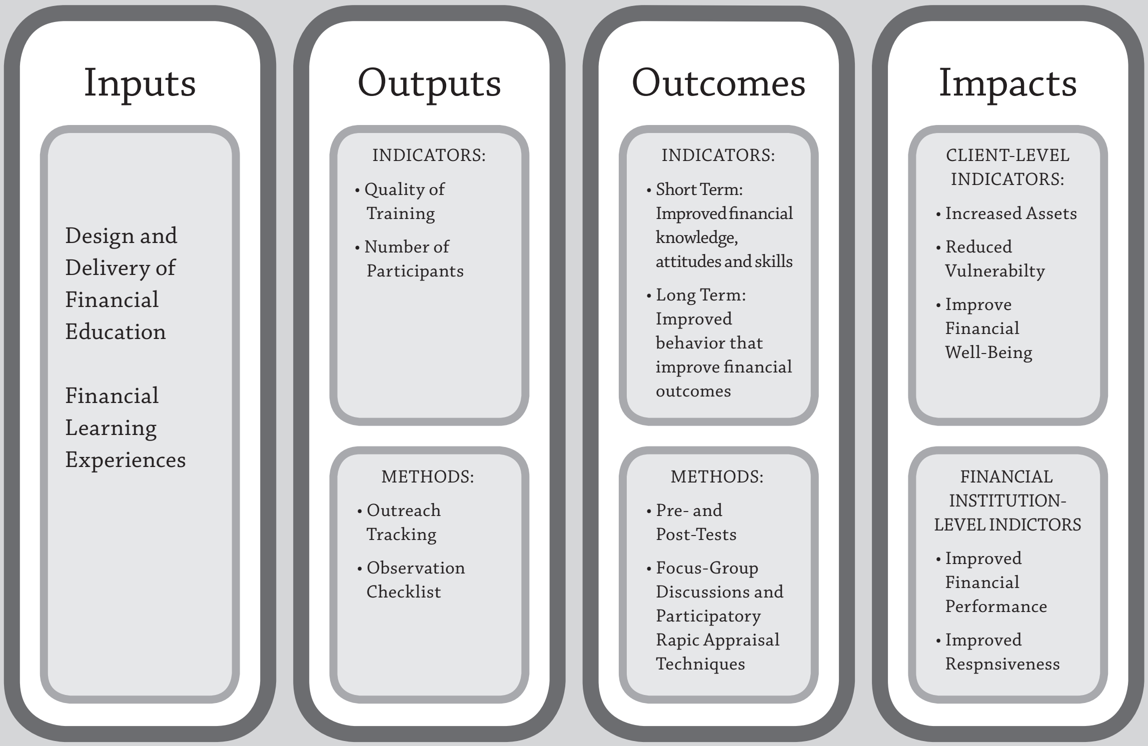
The Budgeting, Savings, Debt Management, Financial Negotiations and Bank Services modules were then implemented in the initial round of financial education training of trainers. Four additional modules were developed at a later stage: Remittances, Consumer Protection, Risk Management and Insurance, and Financial Education for Youth. These last four modules were not included in the assessment of outcomes presented in this paper. Details of the key learning objectives and the resulting financial well-being indicators for the Budgeting, Savings, Debt Management, Financial Negotiations and Bank Services modules are provided in Annexes 1 and 2.

Between May 2006 and June 2009, the GFEP trained 239 organizations in six different countries, resulting in approximately 413 trainers trained. These trainers provided the training to their organizations' clients and directly reached approximately 346,000 people with financial education. In addition to these direct trainings, an additional 19 million people were reached through print, radio, television or street theater.

THE GLOBAL FINANCIAL EDUCATION PROGRAM OUTCOMES ASSESSMENTS

As the GFEP modules were being finalized and prior to the training of trainer events, a framework was developed to assess the outcomes and impacts of the financial education. Figure 1 reflects the simple impact pathway and the simple monitoring and evaluation methods utilized for the program.

Figure 1: Framework for Assessing the Outcomes and Impacts of Financial Education



Inputs for this program were defined as the development of the financial education as well as the strategy or the financial learning experiences used to deliver the financial education. For example, some organizations provided the education through radio and television, while others conducted workshops or delivered the education through weekly credit meetings.

Outputs consisted of the quality of the trainings delivered and assessed the number of participants exposed to financial education activities. To assess the quality of the training, an observation checklist was developed to help implementing organizations monitor the quality of the education delivery. This activity consisted of using a standardized checklist that assesses qualities such as their education session management and their communication of the technical content. An example of an observation checklist is provided in Annex 3. Also, to keep track of the outreach of the financial education, forms were developed and collected from organizations trained on financial education to monitor the numbers of clients who had received or had gained access to the financial education. Annex 4 outlines the outreach numbers tracked as of December 2008.

Short- and Long-Term Outcome indicators were developed for each of the five primary modules. These outcomes consisted of knowledge, skills, attitudes and behavior indicators that were expected to improve as a result of participating in any one of the five modules. These indicators were considered "generic" in the sense that they supported the generic modules and were meant to be adapted at the partner level depending on the adaptations made to the key learning objectives and activities. To assess these indicators, short quantitative survey instruments were developed by the partners. In addition to the survey instruments, focus-group discussion (FGD) guides to assist in evaluating pre- and post-education delivery were developed. The final tools used by the outcomes assessment partners are included in their individual case studies and further explanation of them follows in the methods section.

Client-Level Impacts, such as improved financial well-being, reduced financial stress and changes in assets, and Institutional-Level Impacts, such as improved financial performance, were not assessed for this program period, but will likely be pursued in the future by GFEP or its partner organizations. From the outset, the GFEP team chose not to pursue rigorous evaluations to evaluate the curriculum developed for the program for a few key reasons: 1) there was no existing literature to draw from to help understand the best way to evaluate the effectiveness of a financial education curriculum; 2) the partners participating in the outcomes assessments were quite new to implementing financial education and were still on a learning curve that required flexibility to ensure the content and the mechanism designed to implement the education met client needs; 3) the period for evaluation was going to be no more than a year and measuring anything beyond client outcomes would be overly ambitious and no significant long-term impact would be seen during that time; 4) the complexity of the poor's financial behaviors as reflected in our findings from the market research and as reflected in a recent publication by Collins and Morduch; 5) we saw this as an initial foray into assessing outcomes as a means to improve our understanding of the relationship between financial education and behavior change and to look into what positive behavior change means in the context of complex financial lives; and 6) this was an opportunity to test indicators to see which ones might be the most sensitive and revealing in a future rigorous study.

THE GFEP OUTCOMES ASSESSMENT PARTNERS

Four organizations that participated in the GFEP training of trainers were selected to participate in outcomes assessments. The four organizations were Taytay Sa Kauswagan, Incorporated (TSKI) in the Philippines, Sarvodaya Economic Enterprise Development Services (SEEDS) in Sri Lanka, Pro Mujer in Bolivia and Crédito con Educación Rural (CRECER) in Bolivia. These four organizations were selected based on their interest and their capacity to roll out the financial education as well as support the evaluations. TSKI was unable to complete its participation in the outcomes assessments; thus the results in this section are based only on SEEDS, Pro Mujer and CRECER.

As each of the three outcomes assessment partners are slightly different in structure and product/service mix, the implementation of the financial curriculum was also slightly varied. Table 1, on the following page, briefly summarizes the organizations and the modules they implemented as well as the mechanism they used to deliver the education.

CRECER is an unregulated non-bank financial services provider (soon to be regulated as a non-bank financial institution) in Bolivia. They provide a unified and integrated set of services, including credit, savings, insurance, education, health services and linkages to their approximately 98,000 clients. CRECER continually provides education to their clients during their credit meetings on a biweekly or monthly basis. For the implementation of the financial education, they adapted the Debt Management, Savings, and Budgeting modules to accommodate illiterate clients as well as a 30-minute window to provide the education during the credit meeting. The field agents (male or female) who provide access to the financial services also provide the education to the clients. Over a year's time, they provided financial education to all clients in the seven regions of Bolivia that CRECER serves (La Paz, Santa Cruz, Chaco, Oruro, Amazonia, Sucre and Cochabamba). As CRECER serves approximately 98,000 clients and its primary product is an integrated service of financial services with education, it is estimated that all 98,000 have received this education. CRECER has been providing non-formal, adult education to its clients since the early 1990s; thus, its implementation of the financial education was the most developed and had the largest coverage among the institutions participating in the assessment.

Pro Mujer is also an unregulated non-bank financial services provider (soon to be regulated as well as a non-bank financial institution) in Bolivia that serves approximately 88,000 clients. It provides credit, savings, insurance, education and health services similar to CRECER, but not in the same unified model in which the same field agent provides all services. For the implementation of the financial education, Pro Mujer trained its clients during weekend workshops in three different regions (La Paz, Santa Cruz and Cochabamba). These workshops were conducted over three consecutive days, for 2–3 hours per day with approximately 120 participants. They delivered locally adapted versions of the original savings and debt-management modules.

SEEDS is a regulated, non-bank financial services provider in Sri Lanka. They provide loans, voluntary savings, and grants. They have three divisions: Microfinance and Banking, Enterprise Services and Training. The microfinance and banking division currently provides financial services to over 380,000 clients, including 170,000 active

Table 1: Summary of Outcome Assessment Partners

	Country	*Type of Institution*	*Products/ Services*	*Modules Used*	*Delivery Mechanism*
CRECER	Bolivia	Non-regulated NGO	Loans Facilitate savings Insurance Education Health Products and Services	Budgeting Debt Management Savings	The modules were delivered in all seven regions that CRECER serves in Bolivia. The same field officer who provides the financial services also delivers the education sessions during weekly and/or monthly group meetings, during two 6-month loan cycles. In total, approximately all 98,000 CRECER clients received the financial education and a random sample of 665 participated in the evaluation.
Pro Mujer	Bolivia	Non-regulated NGO	Loans Facilitate Savings Insurance Education Health Services	Debt Management Savings	The modules were delivered in three regions in a workshop format (three days, 2–3 hours per day over consecutive days with 120 original participants—86 of whom completed the evaluation).
SEEDS	Sri Lanka	Regulated, non-bank financial services provider	Loans Voluntary Savings Grants	Budgeting Debt Management Savings	Delivered two 2-day training courses (approximately 40 participants); 19 of these clients completed the evaluation.

borrowers in Sri Lanka. The SEEDS Training Unit, also known as SEEDS Management Training Institute (SMTI), is a recognized training service provider in Sri Lanka and a market leader in the entrepreneurial skills development training, business management skills development training, and microfinance management skills development training. The SMTI trained SEEDS clients as well as their potential clients in the financial education curriculum. They conducted two trainings: the first was with post-tsunami community members and clients and the second was conducted with their male and female clients. To address these two separate trainings, they developed two training courses: a 2-day training and a 4-day training module called Household Cash Management. These modules combine curricula from the GFEP Budgeting, Savings and Debt Management Modules.

EVALUATION METHODS

Although implementation was slightly different for each partner, they used similar evaluation methods. All three partners used pre- and post-tests as well as pre- and post- qualitative interviews and FGDs. However, there were slight variations in how these were delivered, frequency, and with whom they were delivered.

Before any outcomes assessments were conducted, the GFEP evaluation team developed an "indicator bank" consisting of indicators that represent the short- and long-term outcome indicators from participation in the various GFEP modules. From these generic indicators, adaptations were made at the partner level to account for changes in the curriculum. Thus, there is not always direct comparability of indicators across the three partners. The variations in the methods for each partner are outlined below and the evaluation instruments they used are included in their individual case studies in Annexes 6–8.

CRECER. CRECER conducted a pre-test quantitative survey with 665 randomly selected clients who had not yet received financial education. With this "baseline" group of clients, it also conducted FGDs to understand initial knowledge, attitudes and behavior. A post-test was administered with a completely different cohort of clients who had received an entire year's worth of education. The purpose for doing this is that by the time the outcomes assessments were designed, CRECER had already started implementation with one cohort of clients. To get a full post-test with clients during the original schedule of the program period, we had to assess a different cohort. A follow-up qualitative assessment was conducted in Oruro and Sucre to help explain some of CRECER's results regarding debt management. Thus, CRECER did not implement a longitudinal study. The results reflect two different cohorts—one a baseline and one a follow-up. Analysis on quantitative data, given the sample size, consisted of comparing averages from the pre- and post-tests as well as running simple t-tests to compare the means and provide probability values (p-values).

Pro Mujer. Pro Mujer conducted a pre-test quantitative survey before the workshops with all participants as well as a post-test immediately following completion of the workshop. A 3- and 6-month quantitative follow-up and a 6-month qualitative were conducted with a subset of available clients who completed the workshops. Analysis on the quantitative data consisted of simple comparison of averages from pre- to post-test results.

SEEDS. With the initial groups of tsunami-affected clients, SEEDS conducted only a short qualitative study, utilizing FGDs with those who had received financial education. The second group of clients received a quantitative pre-test before the workshop, a post-test one month after training, and second post-test seven months after the training. They conducted FGDs with the clients prior to the training at the 1-month and 7-month marks. Analysis of the quantitative data consisted of simple comparisons of averages between pre- and post-test results.

RESULTS

To be able to compare results by similar modules implemented, Annex 5 has restricted the findings to indicators for which there is enough overlap or similar measurements to make comparisons. Even though the financial concepts were similar in all three partners' education modules, the way certain concepts were expressed or adapted were slightly different at the institutional level. For example, when training Bolivian participants on the role of the Bolivian Credit Bureau, Pro Mujer's training emphasized that clients would be reported to the Bolivian Credit Bureau at the end of a loan cycle regardless of their financial standing, whereas CRECER's training emphasized that if a client was in default, they would be reported. This is an example of where it is a challenge to make a meaningful comparison of a similar indicator across multiple institutions. All efforts have been made to allow comparisons across all three partners where possible, but as seen below, this is not always possible. To review all indicators assessed by each partner, please see the individual partner case studies in Annexes 6–8.

Debt Management

When assessing change in debt management knowledge, we compare the findings from SEEDS and Pro Mujer. In this case, we can see that baseline and follow-up knowledge were both at 100 percent for SEEDS clients when assessing their knowledge that they should know the costs and terms of the loan before taking it out. However, for Pro Mujer, there was a jump of 24 percent (65 percent to 89 percent) in this indicator from the pre-test to the 6-month post-test.

Both CRECER and Pro Mujer clients saw improvements from the pre- to the post-tests in their knowledge about the necessity to calculate one's debt capacity (from 23 percent to 40 percent for CRECER clients and 45 percent to 79 percent for Pro Mujer clients) before taking out a loan and that a cause of over-indebtedness is taking one loan out to repay another (from 28 to 62 percent for CRECER and 69 to 90 percent for Pro Mujer clients). CRECER's increases were statistically significant.

Only SEEDS assessed a debt-management attitude. There was a 15 percentage-point increase from 64 percent at the pre-test to 79 percent at the post-test in clients who felt confident they could repay their loans in the future.

Both CRECER and Pro Mujer clients set more money aside, little by little during the loan cycle, to repay their loan at the post-test than at baseline (73 to 89 percent for CRECER clients and 53 to 98 percent for Pro Mujer clients). CRECER's increase was statistically significant. Despite these positive behavior changes for CRECER and Pro Mujer, more of SEEDS clients at follow-up had to sell an asset due to financial difficulty (15 percent at the pre-test to 21 percent at the post-test) and more had to borrow money due to a financial difficulty. It is unclear whether the long-term effects of the tsunami influenced this negative change, but it is likely that external factors contributed to this change.

When clients from all three institutions were interviewed in FGDs about the challenges of debt management, all three cohorts indicated that the food and fuel crises that their countries were experiencing during this time period significantly inhibited their abilities to control their debt simply because everything was much more expensive and some were having to take out loans for basic needs such as food. They all appeared to understand and appreciate the concept of managing one's debt, but some had difficulty putting it into practice. One CRECER client, when asked how she plans for times of the year when she faces financial difficulties, shared, "Right now, there are more expenses. Everything has increased. The economic situation is very difficult and it has influenced everything. To plan for something like this, we try to separate out a little money, day by day, for our family." A discussion with a group of CRECER clients revealed that, "The money we've taken out has not been enough, because of the economic situation. The prices of things have increased a lot, even worse if you have many children. In reality, there is no work, and because of this, we have joined CRECER. If you invest this money, sometimes you earn something back, sometimes you get nothing." A group of Pro Mujer clients shared that, "The main obstacle to putting what we've learned into practice is the difficulty we have in calculating our repayment capacity due to income fluctuations, bad investments, the country's economic crisis and the irresponsibility of some of our group members."

> *The main obstacle to putting what we've learned into practice is the difficulty in calculating our repayment capacity due to: income fluctuations, bad investments, the country's economic crisis and the irresponsibility of some of our group members.*
>
> *—Pro Mujer clients*

An additional qualitative study was conducted with CRECER regarding over-indebtedness to evaluate whether taking multiple loans from multiple organizations was a sign of over-indebtedness or whether this simply revealed the need to have larger loan sizes. In addition, CRECER wanted to understand more from the client perspective about why over-indebtedness was occurring and what CRECER could do to assist its clients. Findings from this recent study reveal a mixed message. Some of the clients interviewed had up to four loans at the time of the interview, and many had at least two loans and indicated they were not over-indebted but were simply using different loans to pay for different needs. Some had a business loan with both Pro Mujer and CRECER, for example, but had taken out loans from other formal financial institutions, such as loans for the purchase of a vehicle or for home renovations.

Despite claims that they were not having problems repaying their loans, they did admit to feeling quite a bit of financial stress to make the loan payments. When asked why some CRECER clients were over-indebted, their answers were the very behaviors that were discouraged in the training: taking out multiple loans, not evaluating their debt capacity and the country's economic crisis.

> *"My children became CRECER borrowers when they moved to town, but [taking out a loan] is not for everyone because some don't know how to use money and so it gets them into trouble."*
>
> *—Juana, age 53*
>
> *"If you need money, CRECER is good. But you must also know how to administer the money well or it can be bad."*
>
> *—Elsa, age 59*

In addition, because there are so many banks and organizations providing easy access to credit, when a person needs money, it is not that difficult to obtain it. Some of the CRECER clients themselves expressed that taking out a loan was not for everyone. "My children became CRECER borrowers when they moved to town, but [taking out a loan] is not for everyone because some don't know how to use money and so it gets them into trouble," said Juana, age 53. Julia, age 46, indicated that "taking out a larger loan to me means success, but more debt also depends on if you manage your money well" and Elsa, age 59, shared that, "If you need money, CRECER is good. But you must also know how to administer the money well or it can be bad."

The interviews also revealed a growing level of CRECER clients' pride in their ability to obtain credit from formal institutions and the fact that they no longer had to borrow from friends or family. For example, one CRECER client had used some of her loan to pay for her daughter's medical expenses but indicated, "To reduce the financial consequences of this crisis, I work very hard. I'm very proud to say I've never asked my friends or family for money, only CRECER." Maria, a client for 8 years, shared that when a crisis occurs, "there is always the help of family. In the past, I received help from my husband's family when it was needed, but now I only ask for financial help from CRECER." This may be a fairly significant finding in interpreting over-indebtedness of clients. As clients gain easier access to financial services, they may replace their informal sources for loans with more formal sources. Thus, the over-indebtedness in terms of the number of formal loans clients may hold at any given time might more strongly reveal the use of formal loans for cash-flow management purposes—in short, they may not be any more over-indebted than before, but more over-indebted with formal loans than with a mixture of formal and informal instruments.

When CRECER clients were asked about the role CRECER could play to help them avoid over-indebtedness, they stated, "Teach us [how to manage our money]; we don't know how to invest."

A few questions remain about debt management: 1) Since the clients have been trained on debt management, they know what the "correct" answer to a question might be, thus are they less likely to reveal their actual practice? Or could the financial education have helped them to manage multiple loans? 2) From the standpoint of a financial institution, would an MFI such as CRECER increase its risk if it increases its loan sizes or would it reduce its risk because if clients could access larger loans, they'd take out fewer loans and therefore reduce repayment problems and improve the MFI's financial bottom line? 3) Is the growing concern of over-indebtedness by the MFIs detecting a move from informal credit sources to formal credit sources by clients?

Savings

When assessing savings knowledge, SEEDS and CRECER both looked at the percentage of clients who knew one way to save money is to reduce household expenses. SEEDS client knowledge was already very high on this indicator, at 100 percent at the pre-test, that although it showed a decrease of 5 percentage points at the post-test, it is likely that it means there was no change in this indicator. CRECER saw a statistically significant improvement of 19 percentage points in this indicator (41 at pre-test to 60 percent at the post-test). Pro Mujer did not measure this indicator, but assessed the percentage of clients who know they should save at least 3 times their monthly income for emergencies. They saw a 14 percentage-point increase in this indicator from the pre-test (46 percent) and the 6-month post-test (59 percent).

> *Teach us [how to manage our money]; we don't know how to invest.*
>
> *—CRECER clients*

Only SEEDS assessed an attitude change and saw a positive change from 74 to 85 percent in the number of clients who felt it was very important for them to save money.

Savings behaviors also improved for the three organizations, but follow-up percentages were still fairly low. CRECER and Pro Mujer "post-test" clients both put more of their earnings into savings (31 to 47 percent for CRECER clients and 40 to 57 percent for Pro Mujer clients) and more post-test SEEDS clients had indicated they saved more money this quarter compared to last quarter (27 percent at pre-test to 43 percent at the post-test).

> *When I face financial emergencies, I take money from my savings.*
>
> *—Pro Mujer client*

Qualitative data collected for these three partners indicated that the clients appreciate savings and actually want to find more ways to save money. Although the education encouraged participants to set savings goals versus using savings in a reactive manner, clients had a mixture of both savings goals and a continued use of their savings for cash-flow management.

All three partners' clients save through formal and informal means. They save with the MFI directly or through the MFI's facilitation of savings, as well as with Rotating Savings and Credit Associations (ROSCAs) or other types of savings groups. CRECER clients appreciate their compulsory savings because it forces them to save. Hortencia, age 38, shared that, "CRECER is the place where I learned how to save money and to be responsible with money. Before, I was completely unable to save even a small amount and I didn't know how to properly administer my money"; Pacesa shared that "I am a great fan of the [mandatory] savings component because I can use it to increase the size of my business and I don't have to use it for household expenses." Dora, age 25, was unable to save money before she joined CRECER. "With my obligatory savings, I was able to save up enough money to get married; I would not have been able to do this otherwise." Their ability to increase their savings was difficult this past year for the same reason they found it difficult to control their debts: the food and fuel crisis made it difficult for them to put money aside when the cost of living was increasing. Although it is difficult to quantify, the increase in savings discipline might have assisted some of the financial education clients through the food and economic crises experienced in their countries. As one Pro Mujer client indicated, "When I face financial emergencies, I take money from my savings." A SEEDS participant revealed, "Even [the] economy does not make any favor to us; we try to manage our income accordingly. Under the Plan-SEEDS project, officers taught us many things as how to manage our income by saving, creating our own fund, cutting down unnecessary expenses and introduced new ventures to us. So we feel that now we can confidently face any difficulties that come to us."

The quantitative and qualitative results for the SEEDS and CRECER clients show the interconnection between the savings and budgeting modules. They were finding ways to save more money by finding areas in which they could reduce their expenses.

> *I keep records on all the expenses incurred at household and also on income earned. Every month I analyzed the income and expenditure pattern of that month and made decisions on expenses for the next month. I am able to cut down unnecessary expenses. It is an advantage of keeping records.*
>
> *—SEEDS client*

Budgeting

Pro Mujer did not implement the budgeting module during the time of this assessment; thus the following results reflect SEEDS and CRECER data only. Both SEEDS and CRECER clients experienced improvements in their knowledge of the three parts of a budget (42 to 72 percent for CRECER clients and 79 to 90 percent for SEEDS clients) as well as the function of a budget (57 to 86 percent for CRECER clients and 53 to 64 percent for SEEDS clients). CRECER pre-test clients started lower than SEEDS clients on both indicators and saw the greatest increases, which were statistically significant. More SEEDS clients felt that a budget was important to them (74 percent at pre-test compared to 85 percent at the post-test). CRECER did not assess attitude change for this module.

Both organizations experienced increases in the number of clients who have a written budget (44 to 69 percent for CRECER clients and 0 to 53 percent for SEEDS clients) and who keep a budget regularly (45 to 67 percent for CRECER clients and 27 to 64 percent for SEEDS clients). None of the SEEDS clients indicated they had a written budget at the pre-test, but at post-test, at least 10 of the 19 clients reported having a written budget.

> *Even [the] economy does not make any favor to us; we try to manage our income accordingly. Under the Plan-SEEDS project, officers taught us many things as how to manage our income by saving, creating our own fund, cutting down unnecessary expenses and introduced new ventures to us. So we feel that now we can confidently face any difficulties that come to us.*
>
> *—SEEDS client*

When CRECER and SEEDS clients were interviewed during the final FGDs regarding budgeting, many clients appeared to have been satisfied with the activity of identifying areas where they could reduce their costs. One SEEDS client shared that, "At the training, I realized I spend a lot of money on needless things, and from that moment I determined to keep track of my daily income and expenses. At the end of the month, I look at it and I try to control expenses the next month." Although the actual activity of writing down their budget might not have been a strong indicator of success of this module, many of the clients had initiated family-wide discussions about cutting costs and had initiated cost-saving measures. Another SEEDS client revealed, "I keep records on all the expenses incurred at household and also on income earned. Every month I analyzed the income and expenditure pattern of that month and made decisions on expenses for next month. I am able to cut down unnecessary expenses. It is an advantage of keeping records."

Compared to the savings and debt-management modules, it also appears that the clients felt it was much easier to put budgeting behaviors into practice, and the primary challenge to do this was something they could control: their own desire and discipline to do it.

> *At the training, I realized I spend a lot of money on needless things and from that moment I determined to keep track of my daily income and expenses. At the end of the month, I look at it and I try to control expenses the next month.*
>
> *—SEEDS client*

Table 2 summarizes the key findings from the outcomes assessments with CRECER, Pro Mujer and SEEDS.

Table 2: Summary of Financial Education Training Results

	CRECER	*Pro Mujer*	*SEEDS*
Debt Management	Although there were only slight increases in knowledge and behaviors regarding debt management, there were still statistically significant differences between the "baseline" cohort and the "follow-up" cohort. There are conflicting messages regarding how people currently manage multiple loans, as those with multiple loans are experiencing financial stress. Clients indicate loans are to meet various needs—business and personal needs. The ability to put the promoted behaviors into practice has been negatively influenced by the economic crisis in Bolivia.	There were slight improvements in debt-management knowledge and behavior, yet the role of the Bolivian Credit Bureau is still not completely clear to Pro Mujer clients. Continual reinforcements of the education topics appear to have played an important role in seeing increases in knowledge and behaviors over time. The ability to put the promoted behaviors into practice has been negatively influenced by the economic crisis in Bolivia. One of the key constraints was the clients' ability to differentiate between personal and business money.	There were slight to no improvements in debt management knowledge and behavior but the clients do appear more confident in their ability to manage their debts. The ability to put the promoted behaviors into practice has been negatively influenced by the economic crisis in Sri Lanka, which included food, fuel and business input cost increases.

Table 2 Continued ➲

	CRECER	*Pro Mujer*	*SEEDS*
Savings	There were statistically significant increases in knowledge regarding strategies to increase savings, such as cutting expenses. There were also statistically significant increases in those who indicated they put some of their earnings into savings. Mandatory savings is a very important and appreciated component of client participation at CRECER because they save "without thinking about it." Their desire to save more has been hampered by the economic crisis in Bolivia as they struggle to pay for day-to-day expenses.	There was an increase in the number of clients who knew they should save 3 times their income for emergencies. There were also increases in those who indicated they put some of their earnings into savings. Clients indicated they had savings goals but had not yet identified a way to systematically save for those financial goals. Pro Mujer clients indicated an increase in saving with other informal financial providers as well as having formal savings accounts with formal financial providers. The desire to save more, like CRECER clients, has been negatively influenced by the economic crisis.	There was very high pre-test knowledge about the strategy of cutting expenses in order to save more money; thus, no change in this indicator was measured. There were more clients at post-test who felt savings was important to them and who had saved more money this quarter than last quarter. As with CRECER and Pro Mujer clients, the economic climate of Sri Lanka made it especially difficult to put improved savings behaviors into practice.
Budgeting	There were statistically significant increases in knowledge regarding the parts and function of a budget. There were also statistically significant increases in the number of clients who had a written budget and budgeted regularly. CRECER clients appreciated the budgeting exercises and this helped them identify particular areas in which they could reduce their costs. They felt their own discipline to keep a budget, written or not, was the only thing that hindered their use of one.		There were increases in knowledge regarding the parts and function of a budget. More SEEDS clients at post-test also felt that a budget was important to them. There were also increases in the number of clients who had a written budget and budgeted regularly. Some SEEDS clients found that their own altered budget formats were more useful than the one provided during the workshops. Many found creative ways to cut their expenses, such as purchasing energy-efficient light bulbs.

ANALYSIS

We are cautious to not overstate the meaning behind the data because of the small sample sizes for SEEDS and Pro Mujer data as well as the analysis of two different cohorts for CRECER. We cannot attribute the changes seen in the knowledge, attitudes and behaviors to the financial education; however, we do have evidence that the financial education likely assisted these clients in

- identifying where and how to reduce their expenses—although one of the key behaviors promoted in the budgeting module is to keep a written budget, this improvement was not striking;
- understanding the importance of avoiding over-indebtedness—it is not often easy to put the promoted behaviors into practice, particularly during a time when food and energy costs were high throughout the world and terribly affecting the poor with their already limited budgets;
- putting saving behaviors into practice—yet, client-perceived challenges to saving more can be explained by the struggles people have faced over the past two years from the food and financial crisis; and
- managing their cash flow in a difficult economic environment—clients revealed practices they put into place to ensure their ability to make their loan payments, save money and reduce their expenses.

The interpretation of these results—given we could not control for many factors—requires acknowledging that financial behaviors of the poor are complex and are influenced by internal and external factors. Our market research revealed this from the beginning and recent data collected and published in Portfolios of the Poor further exposes the web of formal and informal services that the poor use to ensure the well-being of their families. As can be seen from the methodologies chosen to evaluate the effectiveness of the GFEP financial education, we limited our analysis to very specific behaviors, such as putting money aside more regularly to make loan repayments or whether clients calculated their debt capacity. Quantitatively, this likely overlooked the myriad of behaviors that could have been influenced by learning to budget, save, or manage their debt; however, the complementary qualitative research that was conducted with each partner provided a window into the meaning of these changes in the lives of the financial education recipients. Still, a deeper understanding of this is needed to truly understand the full impact of the financial education, and future studies should be designed to incorporate methodologies that allow for such a study of the more day-to-day financial behaviors.

For example, we did not ask questions in the quantitative surveys about saving in general. Thus, as is seen in the qualitative data in Sri Lanka, saving can also take the form of saving one handful of rice per day or, as in Bolivia, saving with ROSCAs or other informal savings mechanisms. From an MFI perspective, it is important to measure whether there is an increase in use of available formal savings accounts or funds, if this is the intention of the study. As demonstrated by the authors in Portfolios of the Poor, the MFI savings account might not provide the flexibility or terms necessary for a particular client at a given time and might not be the only savings mechanism available to her. Thus, when evaluating financial education in conjunction with specific financial products, financial education should not just evaluate the uptake of that particular product without assessing client satisfaction with that product. From this study, we were able to see both increased use of savings and that the compulsory savings at CRECER, for example, was an appreciated method of saving money because it reinforced a savings discipline.

To fully understand the impact and influence of financial education in the broader interest of its purpose, it would be very important to look at the full range of formal and informal financial behaviors and tools the poor use. Furthermore, given that both internal (ex. personal discipline) and external factors (ex. financial crisis) influence financial behaviors, we need to enrich our understanding of how and when behaviors manifest themselves in reaction to external factors, such as an economic crisis or a personal financial crisis, and the internal decisions that are made to respond to those externalities.

As a result of our experiences gained from this study as well as what we know about the possible impacts of financial education, we recommend the following to improve our understanding of the influence of the education on the knowledge, attitudes, skills and behaviors of the poor:

- Although the original intent was to develop a monitoring system that consisted of simple and short survey tools that the MFIs themselves could easily implement, the brevity and the specificity of the questions likely missed the complexities of financial behaviors. A more in-depth assessment should be designed to fully capture other informal or formal financial behaviors that might be influenced. For example, instead of just asking whether clients opened a savings account with the organization being analyzed, questions about other savings behavior, both formal (other accounts with other organizations) and informal (savings groups, saving at home, saving grain or purchasing livestock as a savings mechanism) could be used.
- We should take the level of indicators a bit further. As seen from the results, indicators assessed were very short-term behavior changes. We should include more financial-stress indicators and confidence levels—even in the short monitoring tools.
- As suggested in the Portfolios of the Poor, we should add a financial diaries approach to be able to monitor and understand how the education might influence multiple financial behaviors and not rely strictly on pre- and post-test results. One such study with Microfinance Opportunities is under way in Malawi using this methodology.
- Rigorous evaluations, such as randomized controlled trial evaluations, have a role to play in strengthening the case for impact. We will likely pursue these in subsequent financial education initiatives.
- The time variable remains a challenge. There is little consensus of how long and when one can expect the impacts of financial education to manifest themselves. Future studies should attempt to measure changes in behavior at various points in time and allow evaluations to extend over a one-year period in order to detect changes in behavior that are dictated by an opportunity being presented to put promoted behaviors into practice.
- We will continue to encourage participatory market research or adaptation processes that take into account the local context and specific financial behaviors as they relate to that context and build the learning concepts around those.

- Further discussions with these partner institutions and others who have or will implement financial education to discuss strategies or additional educational topics for clients who are already in debt and need to find a way to get out of debt as well as how to save and budget when the macroeconomic climate makes anticipating income and expenses more difficult.

CONCLUSIONS

The data provided here contributes to the growing body of knowledge regarding the effectiveness of financial education and does suggest that when financial education is developed with a solid understanding of the participants themselves, it can meet their knowledge needs and improve both their financial literacy and their financial capabilities; that is, their ability to apply it in the real world. Financial behaviors are fluid and are constantly adapting to the current reality. The timing of the GFEP initiative coincided with three financial threats: the global food, fuel, and financial crises. As we were trying to detect increases in savings and decreases in behaviors that lead to over-indebtedness, it was unclear whether the strategies taught during a period of crisis were themselves influential in improving financial practices or in general, household cash-flow management, respond to that crisis. Thus, if the purpose of financial education is to prepare people for, reduce the effects of, or help people manage their way out of a financial crisis (through having savings, budgeting so that they are aware of their expenses and can identify where they can reduce expenses if necessary to cover other important expenses or to ensure that they aren't already carrying too much debt so that they are incapacitated to respond to a crisis), we may have been successful but may not yet able to demonstrate that level of causality.

In this research project, we were assessing both financial literacy and the suggested financial capabilities that followed—looking at general savings, budgeting and debt-management behaviors of clients as they relate to the microfinance organizations that serve them. We were able to see the role that personal discipline plays in decision-making. A change in knowledge does not always imply a change in behavior—some clients know the correct behavior, but personal discipline or external factors, such as a food or financial crisis, highly influence their final financial outcomes. And a change in knowledge today may not be reflected in or linked to a behavior change until months or years later when there is an important financial decision point: an illness in the family, a divorce, the decision to open a new business or expand, a birth, a marriage, or a death in the family.

It would therefore be risky to assume that financial education as a concept is ineffective unless studies are designed to fully capture what is in some cases, almost unobtainable: the link between the change in knowledge and the financial behavior. Research does show that the more financially literate a person is, the better her financial decisions and overall financial well-being are compared to a more financially illiterate person. This might imply that it is more useful to spend time assessing the factors that make financial education most effective: to whom to deliver it, when, how often, and with which financial concepts and with which design. Moreover, if financial education is linked to a specific financial product, the design of the financial product should also be considered and tested for its attractiveness and usefulness to the client and the role it plays in the "portfolio" of financial instruments available to the client.

We must ensure that financial education is very relevant across different points in time—that a generic behavior it promotes such as increasing saving can be relevant in a "normal world" context and a "crisis world" context. Financial education has a role in both worlds. It can help mitigate the risks in a crisis world and give people the capability to move through the normal world with the knowledge, confidence and skills to plan ahead and make good financial choices.

ENDNOTES

Cohen, Monique. et al. 2006. *Market Research for Financial Education*. Working Paper No. 2. Microfinance Opportunities. Washington, D.C. Available at: http://www.microfinanceopportunities.org

Sebstad, Jennefer, M. Cohen and K. Stack. 2006. *Assessing the Outcomes of Financial Education*. Working Paper No. 3. Microfinance Opportunities. Washington, D.C. Available at: http://www.microfinanceopportunities.org

Atkinson, Adele. 2008. *Evidence of Impact: Review of Policy Evaluation Literature*. Personal Finance Research Centre, University of Bristol. Available at: http://www.pfrc.bris.ac.uk/publications/financial_capability/Reports/FSA_EvidenceOfImpact_0708.pdf

Lusardi, Annamaria. 2008. *Overcoming the Saving Slump: How to Increase the Effectiveness of Financial Education and Saving Programsz*. Chicago, IL: The University of Chicago Press.

Lusardi, Annamaria, and O. S. Mitchell. 2007. "Financial Literacy and Retirement Preparedness: Evidence and Implications for Financial Education." *Business Economics*: 35–44.

Lusardi, Annamaria and P. Tufano. *Debt Literacy, Financial Experiences, and Overindebtedness*. NBER Working Paper No. 14808 Available at: http://www.nber.org/papers/w14808

Hastings, Justine S. and L.Tejeda-Ashton. 2008. "Financial Literacy, Information, and Demand Elasticity: Survey and Experimental Evidence from Mexico." NBER Working Paper No. 14538. Available at: http://www.nber.org/papers/w14538

Hilgert, Marianne A., J. M. Hogarth and S. Beverly. 2003. "Household Financial Management: The Connection between Knowledge and Behavior." *Federal Reserve Bulletin*, 89 (7): 309–322.

Cole, Shawn, T. Sampson and B. Zia. February 2009. *Valuing Financial Literacy Training.* Available at: http://siteresources.worldbank.org/INTFR/Resources/Ziaetl030309.pdf

Mandell, Lewis. 2009. "The Financial Literacy of Young American Adults: Results of the 2008 National JumpStart Coalition Survey of High School Seniors and College Students." University of Washington and the Aspen Institute.

Bernheim, B. Douglas, D.M. Garrett and D. M. Maki. 2001. "Education and Saving: The Long-Term Effects of High School Financial Curriculum Mandates." *Journal of Public Economics*, Vol. 80, Issue 3, pp. 435-465.

SUNY UCAWD. November 2006. *Financing Your Independence*. Financial Literacy Program: Year 2 Evaluation Findings. MAGI Educational Services.

"A Longitudinal Evaluation of the Intermediate-term Impact of the Money Smart Financial Education Curriculum upon Consumers' Behavior and Confidence." April 2007. Federal Deposit Insurance Corporation. Available at: http://www.fdic.gov/consumers/consumer/moneysmart/pubs/ms070424.pdf.

Cole, Shawn, T. Sampson and B. Zia. February 2009. *Valuing Financial Literacy Training.* Available at: http://siteresources.worldbank.org/INTFR/Resources/Ziaetl030309.pdf.

Pande, Rohini, E. Field, S. Jayachandran. February 2009. "Business Training and MFI Client Behavior: Findings from a Randomized Impact Evaluation in Ahmedabad." *CMF Focus Note*. Available at: www.ifmr.ac.in/cmf

Key features of the training were teaching women what constituted business expenses, informing them about the need for savings for the future and identifying an important short-term financial goal.

Spielberg, Freya, B. Crookston, S. Chenani and B. Gray . "Advancing Adolescent Girls' Access to Resources and Influence in Rural India: Midline Report on Randomized Control Trial Evaluation." Freedom from Hunger. Unpublished Manuscript.

http://financialaccess.org/

Collins, Daryl et al. 2009. *Portfolios of the Poor.* Princeton, NY: Princeton University Press. Collins, Morduch, Rutherford and Ruthven have contributed to the industry's understanding of how the poor manage their money and this research has revealed that there is a complex web of formal, informal, and semi-formal financial services and mechanisms that the poor use for the overall well-being of their family. One goal of financial education is to help a family's ability to reduce their current and future financial risks and make informed decisions about which financial instruments will help them obtain their financial goals. However, this is challenging to measure—both from the standpoint of the researcher who is developing the questions to ask and the standpoint of the client who may not want to reveal to an outsider the intricate web of their personal and financial status.

Collins, Daryl et al. 2009. *Portfolios of the Poor.* Princeton, NY: Princeton University Press.

ANNEXES

Annex 1: Financial Education Outcomes

Budgeting and cash-flow management
▮ Has identified a realistic financial goal ▮ Has made a written budget ▮ Follows a spending plan ▮ Has a plan for future expenditures
Savings
▮ Avoids unnecessary spending ▮ Spends less than income ▮ Has a realistic savings plan ▮ Owns a savings account ▮ Puts aside savings as soon as money comes in ▮ Has an emergency fund ▮ Saves regularly
Debt management
▮ Borrows with understanding of terms ▮ Maintains an emergency savings account ▮ Makes a plan to reduce debt ▮ Avoids excessive debt ▮ Borrows with full understanding of terms ▮ Makes loan payments on time ▮ Maintains an emergency savings account ▮ Makes a plan to reduce debt ▮ Avoids excessive debt ▮ Borrows with full understanding of terms ▮ Maintains a debt-to-income ratio below a specified amount (contextually defined—e.g., less than 33 percent)
Banking services
▮ Uses banking services more effectively ▮ Uses banking services to support financial goals ▮ Has experience with multiple financial products (e.g., short-term savings account, fixed-deposit accounts, bank loans, ATM cards, debit cards, insurance product, money card, etc.) ▮ Has experience with multiple financial institutions (banks, insurance companies, burial societies, loan sharks, microfinance institutions, employers, retailers)
Financial negotiations
▮ Negotiates for what he/she wants in business transactions ▮ Takes an active role in decisions over own earnings

Annex 2: Indicators of Financial Well-Being

- Reduction in financial stress
- Greater satisfaction with financial situation
- Reduced amount of time spent managing financial matters
- Reduction in number of times personal financial issues have interfered with work or other tasks
- Financial stability
  - perception that financial situation is the same or better than a year ago
  - expectation that financial situation will be the same or better next year
- Achievement of a financial goal
- Motivation to plan ahead and set a financial goal
- Independent financial decision
- Reduced debt
- Reduced debt-service ratio
- Increased savings
- Successful financial or business negotiation
- Greater satisfaction with bank product or service

Annex 3: Observation Checklist for Assessing the Quality of Training and Facilitation Activities

OBSERVATION CHECKLIST

Trainer Name:______________________________ Observer Name/ ________________

Position: __________________________________

Session Topic/Name and Number:____

Group Name:____

Date: ____

Technical Content			
	(circle answers)		
Communicated <u>all</u> technical information accurately	Y	N	
Responded to questions accurately	Y	N	N/A
Brought focus back to the promoted behavior when “inaccurate” information was raised	Y	N	N/A
Acknowledged when questions were beyond his/her technical knowledge	Y	N	N/A
Session Management and Organization			
Completed all learning session steps	Y	N	
Completed all learning session steps in order	Y	N	
Completed the learning sessions within ____ minutes of recommended time	Y	N	
Had all materials (visuals, notes, props, etc.) ready <u>and</u> organized	Y	N	
Facilitation and Teaching Skills			
Used small groups as suggested—including size of group (pairs, threes, etc.)	Y	N	N/A
Small-group management			
Defined clearly the question/topic to be discussed	Y	N	
Helped arrange participants to assure they faced each other	Y	N	
Circulated around the room to clarify, help and encourage groups	Y	N	
Asked for reports (sample or all groups) according to learning session guide	Y	N	
Open-ended questions			
Used open-ended questions as indicated in the learning session guide	Y	N	
Used open-ended questions to probe and encourage active discussion at other times—must give specific example: ______________________________	Y	N	
Spoke loudly and clearly	Y	N	
Visuals			
Showed <u>all</u> visuals included in the learning session	Y	N	N/A
Assured that all participants could see the visuals (moved around the room, passed them around the room, used a member to circulate with them or asked for participants to assemble around a picture to see it better)	Y	N	N/A

Used other teaching techniques/facilitation skills as written in learning session guide (stories, demonstrations, role-plays, games)	Y	N	N/A
Attitudes Displayed			
Provided praise/affirmation to the participants—must give specific example:____	Y	N	
Demonstrated respect for the participants—must give specific example:____	Y	N	
Helped participants feel at ease with participating—must give specific example:____	Y	N	
Attempted to create a dialogue and/or limit "lecture style"—must give specific example:	Y	N	

<u>Notes</u>:

N/A should only be used if the facilitator did not have an opportunity to use or practice the element. Otherwise use "Y" or "N" in each case.

For "must give specific example"—if no specific example can be given "N" should be circled.

Annex 4: Outreach of Financial Education as of December 2008

Global Financial Education Program Cumulative Outreach of Financial Education Training (May 2006–December 2008)				
	# of Organizations	*# of Countries*	*# of Trainers Trained*	*# of End Users Trained*
Master Training of Trainers				
Total Master TOT	222	45	357	
Direct Training by Partner Organizations				
Africa			674	28,881
Asia			2,372	88,271
Eastern Europe			121	N/A
Latin America			2,029	204,893
Middle East and Northern Africa			289	2,278
Total Training by Partner Organizations			5,485	324,323
Total Alternative Delivery Channel Outreach (Print, Radio, Television, Street Theater, etc.)				19,157,301
TOTAL OUTREACH				**19,487,490**

Annex 5: Partner Comparisons by Key and Similar Indicators

Partner Comparisons by Key and Similar Indicators										
		SEEDS			CRECER			Pro Mujer		
		Baseline n=19	Follow-up n=19	Difference	Baseline n=655	Follow-up n=655	Difference	Baseline n=86	Follow-up n=69	Difference
Indicators	Indicator variation									
Debt Management Knowledge										
Percentage who know they should know the costs and terms of the loan before taking it out		100%	100%	0%				65%	89%	24%
Percentage who know they should calculate their debt capacity					23%	40%	17%*	45%	79%	34%
Percentage who know a cause of over-indebtedness is using 1 loan to pay off another					28%	62%	34%*	69%	90%	21%
Attitude										
Percentage who are confident they can make all of their loan repayments		64%	79%	15%						
Behavior										
Percentage who set money aside, little by little, to repay their loan					73%	89%	16%*	53%	98%	45%
Percentage who in the past 3 months sold an asset due to financial difficulty		15%	21%	6%						

Partner Comparisons by Key and Similar Indicators										
		SEEDS			CRECER			Pro Mujer		
		Baseline n=19	Follow-up n=19	Difference	Baseline n=655	Follow-up n=655	Difference	Baseline n=86	Follow-up n=69	Difference
Indicators	Indicator variation									
Debt Management Behavior										
Percentage who in the past 3 months had to borrow money from a formal financial institution/ family member/ friend because of financial problems		42%	73%	31%						
Savings Knowledge										
		Baseline	Follow-up	Difference	Baseline	Follow-up	Difference	Baseline	Follow-up	Difference
Percentage who know strategies for increasing savings	Percentage who know to save money they can reduce household expenses	100%	95%	-5%	41%	60%	19%*			
	Percentage who know they should save at least 3 times their monthly income for emergencies							46%	59%	14%
Attitude										
Percentage who indicated it was very important for them to save money		74%	85%	11%						

		SEEDS			CRECER			Pro Mujer		
Savings Behavior										
		Baseline	Follow-up	Difference	Baseline	Follow-up	Difference	Baseline	Follow-up	Difference
Percentage who saved money	Percentage who put away some of their earnings into their savings				31%	47%	16%*	40%	57%	17%
	Percentage who saved more money this quarter than last quarter	27%	43%	16%						
Budgeting Knowledge										
		Baseline	Follow-up	Difference	Baseline	Follow-up	Difference	Baseline	Follow-up	Difference
Percentage who know 3 parts of a budget		79%	90%	11%	42%	72%	30%*			
Percentage who know function of a budget		53%	64%	11%	57%	86%	29%*			
Attitude										
Percentage who believe a budget is very important to them		74%	85%	11%						
Behavior										
Percentage who have a written budget		0%	53%	53%	44%	69%	25%*			
Percentage who keep a written budget regularly (weekly, monthly)		27%	64%	37%	45%	67%	22%*			

*statistically significant at p>.0001%

Annex 6: CRECER Case Study

Crédito con Educación Rural (CRECER) began as a Freedom from Hunger program in Bolivia in 1990 and became an independent Bolivian organization in 1999. CRECER offers integrated financial and non-financial services to all of its clients. All clients receive financial products (credit, savings, insurance) that are packaged with a non-financial service such as health, business and financial education and linkages to health services. A client cannot receive a financial product without the non-financial service or vice versa. Ninety percent of CRECER clients are women living in peri-urban and rural areas of Bolivia.

In 2007, CRECER began implementing financial education (consisting of adapted debt management, budgeting and savings modules) in waves in seven of nine regions of Bolivia. Thus, there were at least two full cohorts of clients starting education at different times participating in the financial education curriculum.

Because the generic Global Financial Education Program (GFEP) modules were much longer in length than what CRECER could deliver during a typical 1-hour credit meeting, CRECER adapted them into 30-minute sessions. It also adapted them for illiterate populations by increasing the use of pictures and simplifying the learning objectives of each generic GFEP learning session.

CRECER FINANCIAL EDUCATION OUTCOMES ASSESSMENT

As part of CRECER's existing program monitoring system, staff has experience conducting short surveys using the Lot Quality Assurance Sampling (LQAS) methodology. LQAS randomly selects 19 participants from each important program area, which for CRECER was its smallest unit of operation called the Local Operating Unit or unidad local operativo (ULO). When 19 participants were selected from each of the five ULOs in each region, 95 surveys were completed in total for the region. When all seven regions were combined, there were a total of 665 surveys completed. CRECER has used this methodology to monitor changes in knowledge, skills, attitudes and behaviors for all of its education modules and this helps it target areas in which there is high and poor performance of the education.

CRECER used the same methodology to monitor its financial education client outcomes. With this particular evaluation, however, staff was unable to follow the same cohort of clients due to the timing of the completion of the GFEP initiative; thus we were unable to provide a longitudinal study of the same set of clients. Therefore, the "baseline" is actually a group of clients who had not yet received the financial education and the "follow-up" is a group of clients who had completed the financial education. Comparisons of data are not based on the same group of clients, but on two different cohorts of clients who had either had or not had exposure to the financial education. For the purpose of this report, we will refer to these groups as the "baseline" and "follow-up" groups. Because of the sample size, CRECER was able to analyze its data by ULO and region as well as conduct statistical tests on the full data set to evaluate whether the differences between the baseline group (without financial education) and the follow-up group were statistically different.

As part of a qualitative strategy, two focus-group discussions (FGDs) were conducted in each of the seven regions: one FGD with clients who had financial education training, and the other with clients who had not yet received financial education training. In addition, after the completion of the “follow-up” quantitative study, an additional qualitative study was conducted in two regions, Sucre and Oruro, to dig deeper into the debt-management behaviors of the clients, as this area was of particular concern to CRECER. In total, seven FGDs were conducted in the additional study with 92 clients who had not yet received financial education, and seven FGDs were conducted with 94 clients who had received financial education training. See Table A at the end of this Annex for the quantitative results. The additional qualitative study consisted of 15 individual interviews in Sucre and 17 in Oruro as well as three FGDs in each of the two areas. Results from the quantitative and qualitative findings are outlined below.

RESULTS

Debt Management

Because CRECER had a particular interest in the debt-management behaviors of its clients, an additional qualitative study was conducted to dig deeper into this issue. As CRECER and Pro Mujer serve the same regions of Bolivia and compete for the same clients, CRECER estimates that approximately 30 to 50 percent of its clients are also clients of Pro Mujer. CRECER particularly wanted to learn whether this indicated over-indebtedness or revealed a need to increase loan sizes or modify the structure of its loan products.

When assessing the quantitative indicators for the debt-management module, there were statistically significant improvements or decreases where expected; for example, a decrease in the number of clients who indicate “other” in knowledge about the reasons for default. Although all changes from baseline to follow-up were statistically significant, the percentage-point changes were not dramatic. The most striking change was the increase in knowledge that over-indebtedness is a key cause for defaulting on loans—a 34 percentage-point change. In terms of consequences for defaulting on a loan, a key point of the education module is to educate clients about the use of the Bolivian Credit Bureau. At baseline, only 26 percent of clients knew they would be reported to the Credit Bureau, whereas at follow-up, 56 percent knew.

Eighty-nine percent of the follow-up cohort indicated they put money aside little by little to repay their loans (as opposed to haphazard strategies for loan repayment) compared to 73 percent of the baseline cohort. This difference was statistically significant.

Forty-four percent of the follow-up cohort compared to 33 percent of the baseline cohort kept a register for each of their loans. Clients were asked to identify methods they used to keep their debt under control and could give multiple answers. The three most prominent differences between baseline and follow-up cohorts were that the follow-up cohort more frequently

- put money aside regularly for loan repayment;
- reduced their expenses to control their debt; and
- calculated their debt capacity before taking out a loan.

Thirty-three percent of the follow-up cohort compared to 25 percent of the baseline cohort knew they should only indebt themselves to no more than one-fourth their income. This eight percentage-point difference was statistically significant. When asked about what they should keep in mind when asking for a new loan, 92 percent of follow-up compared to 63 percent of baseline cohort clients answered expenses, income, loan terms and conditions.

Qualitative results revealed that clients were eager to learn about debt management.

> *Right now, there are more expenses. Everything has increased. The economic situation is very difficult and it has influenced everything. To plan for something like this, we try to separate out a little money, day by day for our family.*
>
> *—CRECER client*

Clients indicated they valued the solidarity group warranty as the first resource for avoiding default. Those who had received the financial education expressed the difficulties of applying it, such as

- not having enough time to develop a budget;
- calculating their debt capacity; or
- not having the discipline to apply what they had learned.

However, overwhelmingly, the participants felt the main constraint was the poor economy and the ongoing fluctuations in their income. Some of them had to take money from their savings to pay their debts or admitted to, in some situations, taking out another loan or borrowing money from relatives to repay their CRECER loans.

Although CRECER expected to see knowledge change, it was somewhat skeptical of the stated behaviors as compared to what staff members experienced in the field with their clients. It is difficult in situations in which financial education is implemented to accurately and truthfully assess whether a behavior has actually changed versus a client now understanding what the "correct" answer should be. In this case, were clients actively calculating their debt capacity or did they simply learn that this is what they should indicate to answer the question correctly? Without following a client and capturing this behavior in action, this data is not always reliable; this behavior indicator might be more accurately evaluated as a knowledge indicator of "what should" occur if a client followed the promoted financial education behaviors. This additional interest in debt management led CRECER to pursue an additional in-depth look into over-indebtedness and the role that the financial education played in the decision-making of its clients.

The 32 client interviews of this additional assessment with the Sucre and Oruro clients showed the following:

1. Twenty-eight of the clients had at least one other loan with an organization other than CRECER. Fourteen of them had at least two loans, 12 of them had at least three loans, and two of them had four loans. However, when probed more directly about the reason behind the multiple loans, the clients indicated that the loans had different purposes and different terms. Some of the loans were for housing improvements, health costs, or simply had different levels of flexibility that allowed them to manage the multiple loans at the same time.

2. When asked whether they had any difficulty repaying these loans, only six out of the 32 indicated they had difficulty repaying the loans. Three of the 32 indicated

that one of the loans they had taken out was taken to repay an existing loan. Only four of them revealed they had borrowed from other family members to repay their loans.

3. Thirteen of them, however, had used some of their savings to repay a loan and more than one-half of them indicated they felt stressed about their abilities to repay their loans. Only one of them indicated having to sell an asset to make a loan payment.

4. Five clients had to leave their Credit Association (or their village bank) because of difficulties in repaying a loan. One had to close down her business because she was unable to repay a loan.

When the CRECER clients were asked why they also took loans from other organizations, they indicated the loans were necessary to cover their needs, cover other debts, grow their business, build a home or simply because they mismanaged their money. They also indicated that other organizations were easier from which to obtain a loan or they needed more money to invest—that CRECER did not offer large enough loan amounts. The same reasons given for seeking additional loans were also the reasons given why some CRECER clients became over-indebted:

- They made poor investments.
- They did not know how to manage their money well.
- They took out multiple loans from different organizations, often to repay other loans.

For many, because the food, fuel and financial crises had affected their families so deeply, they felt everything was negatively influenced—all prices had increased and they had many more expenses. One CRECER client, when asked how she plans for times of the year when she faces financial difficulties, shared, "Right now, there are more expenses. Everything has increased. The economic situation is very difficult and it has influenced everything. To plan for something like this, we try to separate out a little money, day by day for our family." A discussion with a group of CRECER clients revealed that, "The money we've taken out has not been enough because of the economic situation. The prices of things have increased a lot, even worse if you have many children. In reality, there is no work, and because of this, we have joined CRECER. If you invest this money, sometimes you earn something back, sometimes you get nothing."

Due to the economic crisis, there was not much work and there was a growing competition among the microenterprises. It was noted by the researcher that the key problem appeared to be that among the microenterprise competition there was always

> *If you need money, CRECER is good. But you must also know how to administer the money well, or it can be bad.*
>
> *—Elsa, CRECER client*

at least one microentrepreneur who held her prices constant, even as input costs were drastically increasing. Thus, many of the clients had not been able to raise their prices to cover their costs nor had they found a way to be competitive. Consequently, they either took out additional loans to manage the cash flow of their businesses when revenues were low (formal or informal) or discontinued their businesses.

Yet, some of the CRECER clients themselves expressed that taking out a loan was not for everyone. “My children became CRECER borrowers when they moved to town, but [taking out a loan] is not for everyone because some don’t know how to use money and so it gets them into trouble.” (Juana, age 53). Julia, age 46, indicated that “taking out a larger loan to me means success, but more debt also depends if you manage your money well” and Elsa, age 59, shared that “if you need money, CRECER is good. But you must also know how to administer the money well, or it can be bad.”

It is important to note that Bolivia is an extremely competitive environment for microfinance. An additional study conducted by Freedom from Hunger during this same time period in the La Paz region revealed that 34 percent of clients in that region had multiple loans. Some of the lenders have been known to be very aggressive and able to offer products that meet different needs of the clients and are attractive for some; for example, loans that have penalized grace periods, but grace periods nevertheless, or 2-year-long loan periods (even with the increased interest paid). Some of the lenders also used Credit Bureau data to target the best loan clients.

However, the interviews also revealed a growing level of pride of CRECER clients’ ability to obtain credit from formal institutions and the fact that they no longer had to borrow from friends or family. For example, one CRECER client had used some of her loan to pay for her daughter’s medical expenses but indicated “to reduce the financial consequences of this crisis, I work very hard. I’m very proud to say I’ve never asked my friends or family for money, only CRECER.” Maria, a client for eight years, shared that when a crisis occurs, “there is always the help of family. In the past, I received help from my husband’s family when it was needed, but now I only ask for financial help from CRECER.” This may be a fairly significant finding in interpreting over-indebtedness of clients. As clients gain easier access to financial services, they may replace their more informal loan sources with more formal ones. Thus, the detection of over-indebtedness in terms of the number of formal loans they may hold at any given time might reveal more strongly the use of formal loans for cash-flow management purposes—in short, they may not be any more over-indebted than before, but more over-indebted with formal loans than with a mixture of formal and informal instruments.

When asked to identify the most important aspect they had learned from the financial education on debt management, they had fairly simple answers. They felt they knew more about

- how to avoid over-indebtedness;
- how to be responsible with their loan payments; and
- how to build solidarity in their groups (in anticipation of group members helping each other with loan payments when necessary).

However, when asked to identify what was difficult to put into practice, they found avoiding over-indebtedness to be quite challenging.

Finally, CRECER clients were asked about what CRECER could do to help reduce over-indebtedness of its clients. The clients suggested that CRECER could continue to provide more education on how to manage their money as well as provide greater flexibility in their products: larger loan sizes or different types of loans, such as individual loans, increasing the loan repayment period and reducing the interest rate. "Teach us [how to manage our money], we don't know how to invest."

Again, our findings here emulate many of the results found in Portfolios of the Poor and should be interpreted in the same fashion. The poor use multiple financial instruments at any given time. Because Bolivia has such a competitive microfinance environment, clients were likely able to access more formal instruments than clients in other countries or environments. Thus, they could access a home improvement loan when necessary; they could take a short-term loan out to make payments on their short-term cash-flow needs and at the same time; have a loan with longer repayment periods that allow them to pay off larger sums of money over time; or they could have a loan specifically to pay for health costs. It was easier to track these more formal financial instruments than the other informal instruments they might have simultaneously used.

This does not necessarily mean over-indebtedness is not a problem. It very likely is a problem, even if the clients shared experiences that appear to be contrary. If CRECER and Pro Mujer were both training their clients—and they share many of the same clients in the more peri-urban areas—these clients would want to respond to the questions to reflect their understanding of what they should have learned. Also, sharing this level of financial detail about their lives is unlikely something with which they are comfortable. Thus, the results here continue to share a mixed message that is still close to the truth: clients understand how to keep themselves from becoming over-indebted, but at any one point they may be suddenly unable to make a payment on time. It is also important to acknowledge that we were interviewing existing CRECER clients; interviewing clients who have dropped out might provide a clearer picture of the role of carrying too much debt and why they could not avoid it.

> *Teach us [how to manage our money], we don't know how to invest.*
>
> *—CRECER clients*

<u>Savings</u>

Similar to debt management, knowledge at baseline was fairly low about strategies for increasing savings. Seventy-nine percent of follow-up compared to 45 percent of the baseline cohort knew the golden rule to saving: spend less than you earn and save little by little. Comparing baseline to follow-up revealed that more of the follow-up clients indicated they knew they should have a savings goal, should find a safe place in which to save and should reduce their expenses. More clients in the follow-up cohort actually indicated they had reduced their expenses, had put money aside little by little into their savings, and had put whatever money they had left over into their savings. Most used a reduction of their expenses as the method to increase their savings. Seventy-six percent of the follow-up cohort indicated they had a savings plan compared to 48 percent of the baseline cohort.

The qualitative assessment revealed that follow-up participants valued the idea of having more savings in order to face emergencies or to achieve their goals but thought putting that into practice and maintaining the savings habit difficult. That is why they valued the compulsory savings they have with CRECER; they can save without even noticing that they are doing so. As a matter of fact, analysis of a recent competitor's client-satisfaction study showed the mandatory savings was one of the most appreciated aspects of CRECER's integrated service to the point that some women actually joined CRECER to have access to the mandatory savings. CRECER client, Hortencia, age 38, shared that, "CRECER is the place where I learned how to save money and to be responsible with money. Before, I was completely unable to save even a small amount and I didn't know how to properly administer my money." Pacesa shared that, "I am a great fan of the savings component because I can use it to increase the size of my business and I don't have to use it for household expenses" and Dora, age 25, was unable to save money before she joined CRECER. "With my obligatory savings, I was able to save up enough money to get married. I would not have been able to do this otherwise."

Even though respondents found saving regularly very difficult, participants who had had financial education felt more motivated to save because most of them had set clear goals and objectives. They knew and admitted that it was difficult for them to get into the habit of saving because of financial pressures, over-indebtedness and the country's economic crisis, but they also thought saving could be possible with effort and perseverance.

Their main savings goals were to purchase assets, provide for their children's education, and be ready for health expenses and emergencies. When their savings did not cover the emergencies, they borrowed money from relatives or institutions. A few of them talked about having insurance to be prepared for emergencies. Most of them save in their houses and in formal institutions—in some cases in their husbands' formal savings account.

> *With my obligatory savings, I was able to save up enough money to get married. I would not have been able to do this otherwise.*
>
> *—Dora, age 25*

<u>*Budgeting*</u>

More of the follow-up cohorts knew what a budget was, the components of a budget, and that a budget assists a person in making decisions on how to manage her money, compared to the baseline cohorts. More clients at follow-up used a register to track their income, expenses and savings. Sixty-seven percent of the follow-up cohort compared to 45 percent of the baseline cohort kept track of their money in the register on a regular basis.

The qualitative research revealed that tracking savings as part of the budget was new knowledge that motivated some clients to save. Clients had the skills to make calculations and, in several cases, kept the family's money separate from the business money. They also tried to write down their debts as well as record money they had lent to others. The training encouraged them to systematically track their money with a structure and objective. Some, however, maintained that they trusted their memory so thought it unnecessary to write down their cash flow.

When clients realized the usefulness of creating a budget, analyzing it, and making decisions based on it, they realized how important it was to track their financial transactions. Some participants shared their budgets with their families in order to make joint decisions. Even illiterate participants were willing to register their income, expenses and savings by asking their sons or daughters for help.

However, even though they knew a budget was important and that it was useful to have a written budget, it was difficult to change their practices and form new habits. Some of them felt discouraged when they had to write down a budget because it took too much time and effort, but others thought that making a budget was useful for having control of their money.

The main obstacles to keeping a budget were a lack of time and discipline, fluctuations in their business, and the country's economic crisis. When clients tried to estimate their monthly income, expenditures and savings, it was difficult because their expenses and earnings continually fluctuated.

CONCLUSION

From the quantitative data, we have positive indication that CRECER clients did gain from their participation in the financial education—to the extent that answers to questions about behaviors were answered "truthfully" versus "correctly." An additional study is being conducted with CRECER that is applying a financial diary methodology to assess the cash-flow behaviors at the household level and may help clarify and elucidate our comprehension of the data we have documented here. The food and financial crises have complicated our ability to detect what would have happened during a more stable time period—yet, the timing of the implementation might have just been perfect timing and at the best "teachable moment."

Table A: CRECER "Baseline" Cohort Compared to "Follow-up" Cohort

		National Average—Baseline N=665 participants	National Average—Follow-up N=665 participants	Difference	p-value
Debt Management					
REASONS FOR DEFAULTING ON LOANS	Percentage of women who know that a reason for default is: Using credit for other things	46%	69%	23%	0.0001
	Percentage of women who know that a reason for default is: Not managing money well	51%	77%	26%	0.0001
	Percentage of women who know that a reason for default is: Using loans to pay off other loans—over-indebtedness	28%	62%	34%	0.0001
	Percentage of women who know that a reason for default is: Not having any savings	19%	25%	6%	0.0246
	Percentage of women who know that a reason for default is: Not calculating payment capacity	23%	40%	17%	0.0001
	Percentage of women who mention other reasons for default	44%	20%	-24%	0.0001
CONSEQUENCES OF DEFAULTING ON A LOAN	Percentage of women who know that "Losing access to another credit source" is a consequence of default	64%	82%	18%	0.0001
	Percentage of women who know that "Damages in relationship in the group" is a consequence of default	34%	62%	28%	0.0001
	Percentage of women who know that "Being reported to a Credit Bureau" is a consequence of default	26%	56%	30%	0.0001
	Percentage of women who mention other consequences of default	25%	13%	-12%	0.0001
PUT MONEY ASIDE CONSISTENTLY TO REPAY LOANS	Percentage of women who put money aside little by little to pay back their loans	73%	89%	16%	0.0001
KEEP A REGISTER OF EACH LOAN	Percentage of women who control their debts by keeping a register of the amount of each loan	33%	44%	11%	0.0001
METHODS USED TO CONTROL THEIR DEBT	Percentage of women who control their debts by knowing the dates for payment	34%	46%	12%	0.0001

	Percentage of women who control their debts by using extra money to pay off their debts	4%	8%	4%	0.0077
	Percentage of women who control their debts by paying off first the most expensive loan	6%	14%	8%	0.0001
	Percentage of women who control their debts by setting money aside regularly to pay off debts	21%	43%	22%	0.0001
	Percentage of women who control their debts by reducing their expenses	14%	31%	17%	0.0001
	Percentage of women who control their debts by calculating their capacity to pay before taking out a new loan	12%	28%	16%	0.0001
	Percentage of women who mention other ways to control their debts	18%	6%	-12%	0.0001
KNOW MAXIMUM DEBT THEY SHOULD CARRY	Percentage of women who know that they should only indebt themselves 1/4 of what they earn	25%	33%	8%	0.0027
KNOW WHAT TO KEEP IN MIND WHEN ASKING FOR A LOAN	Percentage of women who know that they should keep in mind their income, expenses, terms and conditions of the credit, when asking for a loan	63%	92%	29%	0.0001
Savings					
GOLDEN RULE TO SAVING	Percentage of women who know that the golden rule to saving is: Spend less than I earn and save each day or week	45%	79%	34%	0.0001
KNOW STEPS TO INCREASING SAVINGS	Percentage of women who know that one step for saving is: Setting a savings goal	18%	52%	34%	0.0001
	Percentage of women who know that one step for savings is: Knowing how much they can earn and for how long they have to save	24%	29%	5%	0.0309
	Percentage of women who know that one step for savings is: Reducing her expenses	41%	60%	19%	0.0001
	Percentage of women who know that one step for saving is: Looking for places to save	11%	37%	26%	0.0001
	Percentage of women who know that one step to save is: Knowing the frequency and the total amount they need to save	5%	12%	7%	0.0001

	Percentage of women who know that one step for savings is: Tracking or having a register of their savings	11%	19%	8%	0.0005
	Percentage of women who mention other steps for savings	27%	8%	-19%	0.0001
		National Average—Baseline N=665 participants	National Average—Follow-up N=665 participants	Difference	p-value
STEPS ACTUALLY TAKEN TO SAVE	Percentage of women who save by reducing their expenses	54%	64%	10%	0.0002
	Percentage of women who save by putting money aside periodically from their income	31%	47%	16%	0.0001
	Percentage of women who put money that is left over into savings	24%	34%	10%	0.0001
HAVE A SAVINGS PLAN	Percentage of women who have a savings plan	48%	76%	28%	0.0010
Budgeting					
BUDGET DEFINITION	Percentage of women who know that a budget is a summary of income and expenses during a specified time period.	42%	72%	30%	0.0001
3 PARTS OF A BUDGET	Percentage of women who know the 3 parts of a budget (income, expenses and savings)	57%	86%	29%	0.0001
FUNCTION OF A BUDGET	Percentage of women who know that a budget helps them make decisions on expenses and savings	58%	89%	31%	0.0001
CLIENTS WHO HAVE A REGISTER TO TRACK MONEY	Percentage of women who have a register in which they keep track of their money (income and expenses)	54%	69%	15%	0.0001
CLIENTS WHO KEEP TRACK OF BUDGET IN REGISTER	Percentage of women who keep track of their savings, expenses and earnings in that register	44%	69%	25%	0.0001
CLIENTS WHO TRACK MONEY REGULARLY	Percentage of women who keep track of their money daily, weekly or monthly	45%	67%	22%	0.0001

Annex 7: Pro Mujer Case Study

Pro Mujer (Programs for Women) is a Bolivian microfinance and development institution founded as a training institution in 1991. Today, Pro Mujer offers integrated microcredit (business loans, seasonal loans and education loans—used for uniforms and school fees), micro savings (mandatory and voluntary), primary health care for women and children, and training services. Its target population is poor women in Bolivia.

Pro Mujer has been part of the Global Financial Education Program (GFEP) since the latter's beginnings in 2003. They contributed to the design of the first four generic modules as part of the market research and adaptation processes. Pro Mujer also participated in both the adaptation of the Financial Education for Youth and Consumer Protection modules.

Pro Mujer trained clients in three regions, La Paz, Santa Cruz and Cochabamba, in a workshop format (three days, two to three hours per day over consecutive days). Pro Mujer adapted the initial, generic GFEP modules to fit its context and needs, with extra emphasis and exercises that address the country's context (existence of a national-level Credit Bureau and over-indebtedness) and Pro Mujer's institutional needs (debt and default within the village banks).

PRO MUJER FINANCIAL EDUCATION OUTCOMES ASSESSMENT

For assessing the outcomes of its participation in implementing the Savings and Debt Management modules, there were three quantitative data-collection periods: a pre-test conducted before the training, a post-test conducted during the last hour of the training, and two follow-ups at three and six months after the training.

For the pre-test, the survey was applied by an interviewer right before the training while all the participants were arriving. Some of them filled out the survey themselves with the guidance of the facilitators. The post-test was applied in the same way, during the last hour of the workshop. The 3- and 6-month post-tests were conducted by interviewers who approached participants in their repayment meeting or went to their businesses or houses when necessary and interviewed them using the post-test survey instrument.

Forty-four clients participated in eight focus groups prior to the trainings. Eighty-six women participated in the baseline and post-workshop assessment. Only 69 of the 86 were still participating in Pro Mujer at the time of the final post-test at six months. Forty-six clients participated in six different FGDs at the 6-month follow-up. The analysis of the quantitative data is not restricted to the 69 clients who participated in all three phases because we were not able to accurately remove any of the participants from the sample. Because this last post-test looks only at the 69 people who were still with Pro Mujer six months later, we must speculate about reasons why 17 of the clients left and whether those who remain where stronger clients to begin with.

RESULTS

Debt Management

One key debt-management behavior indicator was whether women set aside money little by little to make their debt payments. A little over half of the 86 women at baseline claimed to do this, while 98 percent of them indicated they put this money aside little by little at the 6-month follow-up.

With most debt management indicators, knowledge slowly increased between baseline and the 6-month follow-up. In some cases, there were spikes in knowledge immediately after the training, which would be expected, and then a dip in knowledge at three months, and a spike again at six months. This can likely be explained by Pro Mujer's continued efforts to reinforce the messages of the education during its normal client meetings.

Contrary to this general trend, one indicator did not see a strong rebound at six months as with the others. This was the indicator regarding a client being reported to the Credit Bureau, even if a client is in good standing. Although there was a 28 percentage-point increase from baseline (at 14 percent) to 42 percent at the six-month follow-up, it is difficult to explain the decrease in knowledge from the test immediately following the education to six months later. Perhaps this may be explained by the fact that both staff from Pro Mujer and group members used the Credit Bureau as a threat for non-payment in contradiction to training them that they'd be reported regardless of credit status. Thus, the day-to-day reinforcement of this message might have influenced the decline in knowledge of this indicator after seeing a positive spike in knowledge right after the training. This specific finding suggests that the reinforcement of the key learning objective and the consistency of the message beyond the formal training itself are important factors in increasing knowledge and influencing long-term behaviors.

A long recognized challenge for microentrepreneurs in managing debt is differentiating between personal and business money. They still consider all the money flowing into their business as cash-on-hand, and they do not think that a part of that income should go to replenish business inputs.

Participants are aware of their responsibilities when getting a loan. Some of them check and calculate their repayment capacity based on their incomes and terms of the product before they get it. Most of the participants indicated that they set aside money daily or weekly for their periodic loan repayments. But there are still some clients who do not have a strategy for gathering the money for loan repayment. Respondents said they get into default generally due to a bad investment, over-indebtedness, illness or some of the terms of the loan (interest rate, amount, time to pay it, warranty, etc.).

In most of the cases, they value the solidarity of their group members when they face delinquency. They demonstrate interest in understanding the management of a village bank in order to avoid problems among group members. Considering that the repayment problems of some clients is the main problem inside a village bank, the participants suggested awareness campaigns of the roles and responsibilities for all clients of Pro Mujer.

Participants borrow money from Pro Mujer, family or friends when they face a financial emergency. They also use their savings in urgent situations.

The main obstacle to putting what they learned into practice is the difficulty in calculating their repayment capacity due to income fluctuations, bad investments, the country's economic crisis and the irresponsibility of some of their group members.

Savings

There were four behavior indicators assessed for evaluating the savings module:

- Frequency in which they put savings aside.
- Percentage who had voluntary savings (versus the mandatory savings required by Pro Mujer).
- Demonstration of how they save.
- Percentage who indicated they used some of their savings for an emergency in the past year.

When it comes to saving, discipline is an enormous challenge for poor people. When income and expenses are often unpredictable, feeling confident to save with discipline is difficult; however, the education encourages a less haphazard approach to saving and assists clients in identifying ways to save more systematically. In general, the number of participants who saved once a month decreased, and the ones who saved whenever it is possible increased. The number of clients who saved once a week increased slightly. The percentage of clients who had voluntary savings with Pro Mujer or another institution decreased through the three phases of the assessment. This is difficult to explain, but we hypothesize that in the pre-test, participants did not really understand that the question was referring only to the voluntary savings. During the training, this difference between mandatory and voluntary savings is highlighted or they simply found it difficult to save more during this time. The training taught the women that the best way to save is putting away part of their income periodically. Even though the number of participants who cut their expenses in order to save decreased, the number of participants who put away part of their income periodically increased from 40 to 57 percent. Women who utilized savings for emergencies or who have savings for emergencies also showed a small but positive change.

Results of the savings indicators showed big improvements in the post-test taken immediately after the training, but the percentages decreased in the post-tests taken three and six months later. While in most of the cases the results from the last phase are still higher than those in the baseline, follow-up activities to repeat and/or reinforce the savings messages may be indicated. There was basically no change from pre- to post-test for those who know that savings should not be used for daily expenses. The indicator with the most significant improvement was: Women who know that money in a fixed-term savings deposit cannot be withdrawn as easily as in a current account. At the final assessment, almost all the participants (98.8 percent) answered this question correctly.

Qualitative results revealed that saving is difficult because clients are not used to doing it on a regular basis and because of the country's economic crisis. However, some participants believe they can establish the habit of saving little by little. Even though they know the elements of a savings plan, they do not have the skill to calculate the amount they need to save and how long they must save to reach their savings goals. After six months, some clients think that saving on a regular basis depends on their will to save. Some of them try to save by cutting their expenses or through savings groups, "roscas" or "pasanakus." Some of them keep their savings at home because it is readily available; however, others keep their savings in financial institutions for the greater security.

Even though participants know that it is important to save, the majority do not have a structured savings plan. Only a few of them have a clear goal and they said that they are saving periodically in a formal institution with their husbands. Participants indicate it is difficult to save because of low income, increased prices and over-indebtedness. As in Debt Management, the main difficulty mentioned was the economic crisis in the country, fluctuations in sales in their businesses and increasing prices.

In the absence of well-defined adherence to savings goals, most people use their savings reactively rather than proactively. Savings are mainly used to face emergencies, to increase their businesses' capital or to purchase assets. In some cases, they are used for their children's education.

Quantitative results showed little improvement in knowledge indicators, but information gathered from focus groups after the training confirmed that participants felt that they did know more about savings plans, savings products, and terms and conditions than they knew before the training. They have always recognized the importance of saving, but now, perhaps after thinking more about it or even trying it, they think it is really difficult to save on a regular basis. In spite of this difficulty, there were participants from the FGD who demonstrated some changes in their behavior. For example, it is noteworthy that at least a few of them have a savings account in a formal institution. But this indicator decreased in the quantitative study. Another evident change, at least in attitude, is that FGD participants have clearer ideas or objectives for their savings. Unfortunately, most of them do not have a strategy or a systematic way of saving. Just a few of them indicated that now they save once a month. This information is also consistent with quantitative results.

CONCLUSION

Pro Mujer implemented the debt-management and savings modules due to its understanding the needs and over-indebtedness of its clients, which has adverse affects on the microfinance institution itself. Because CRECER and Pro Mujer share clients, some of the clients assessed in these outcomes might have participated in multiple sessions of financial education; Pro Mujer itself continued to emphasize and repeat the debt-management sessions as well. As a result, Pro Mujer felt that to make the debt-management sessions more effective during the difficult time period faced by its clients due to the food and fuel crises, sessions should have been expanded to include thinking through best- and worst-case financial scenarios and how they would manage those scenarios; more in-depth situational analyses for times when income and expenditures fluctuate; helping clients identify ways to get out of debt once the client is already over-indebted or in default (versus focusing so much time on how to avoid it); determining the difference between saving for emergencies and savings for specific goals (e.g., children's education, a TV, a car, etc.) versus just increasing savings in general. A session on how the macro economy can affect their businesses and personal finances and what strategies participants could develop to face that kind of situation would also be welcomed.

In this case, from Pro Mujer's perspective, the education played a role in improving understanding and possibly behaviors regarding debt management and savings; however, it was also able to identify areas in which some sessions could be further adapted to capture the teachable moments as well as make the education as relevant as possible for its clients.

Table A: Pro Mujer Pre- and Post-Test Results						
	Pre-Test	Post-Workshop	Post 3-months	Post 6-months	Difference between pre- and 6-month post-test	
Debt Management						
STEPS TAKEN TO SAVE MORE MONEY	Women who set aside money little by little through the period for their monthly payment	52.9		64.55	98.03	45.13
KNOW TO KEEP IN MIND WHEN ASKING FOR A LOAN	Women who know they need to find out about the warranty, interest, period and amount before taking out a loan	64.7	80.4	92.06	88.67	23.97
Qualities of a Good Loan	Women who know that a good loan is one that increases their earnings and business productivity	68.6	84.3	75.66	89.69	21.09
Consequences of Loan Default	Women who know that Pro Mujer is not obligated to recover the loan payment if one of the group members defaults on her loan	43.1	88.2	68.78	88.19	45.09
Definition of Over-indebtedness	Women who know that over-indebtedness is having debt to the point of not having enough to make all debt repayments	74.5	90.2	86.88	91.85	17.35
Causes of Over-Indebtedness	Women who know that one cause of over-indebtedness is obtaining credit to pay for another debt	68.6	80.4	74.07	89.89	21.29
Methods to Control Debt	Women who know that they can control their debt by first determining how much they can afford	45.1	NA	73.28	79.10	34.00
Role of the Credit Bureau	Women who know that one can be registered by the Credit Bureau even if no loans are in default	14.7	64.7	22.62	42.80	28.10
Savings Behavior Indicators	Pre-Test	Post-Workshop	Post 3-months	Post 6-months	Difference between pre- and 6-month post-test	
Frequency of savings	Once a week	68.6		62.70	72.22	3.62
	Once a month	17.1		28.81	10.00	-7.10
	Whenever it is possible	14.3		8.47	15.55	1.25
Voluntary Savings	Women who have voluntary savings in Pro Mujer or another institution	85.7		73.78	76.19	-9.51

Ways in which they save	Cutting expenses	17.1		15.03	0.00	-17.10
	Working more	34.3		18.16	32.50	-1.80
	Putting away some of their earnings	40.0		61.25	56.67	16.67
	Other	8.6		5.55	10.83	2.23
Use of Savings	Women who utilize savings for emergencies	91.4		98.15	97.62	6.22
	Women who know that savings should not be used for daily expenses	80.0	94.3	87.82	79.71	-0.29
Amount of Savings	Women who know that they should save at least 3 times their monthly income for emergencies	45.7	51.4	58.99	59.44	13.74
	Women who know that a fixed-term savings deposit can help achieve a long-term goal	65.7	97.1	96.30	78.57	12.87
	Women who know that money in a fixed-term savings deposit cannot be withdrawn as easily as in a current account	80.0	90	93.38	97.78	17.78

Annex 8: SEEDS Case Study

Sarvodaya Economic Enterprise Development Services (SEEDS) is a microfinance institution which belongs to the Sarvodaya Group, the largest development non-governmental organization in Sri Lanka. SEEDS has three divisions: Microfinance and Banking, Enterprise Services and Training. The microfinance and banking division currently provides financial services to over 380,000 clients, including 170,000 active borrowers in Sri Lanka.

The SEEDS training unit, also known as SEEDS Management Training Institute (SMTI), is a recognized training service provider in Sri Lanka and a market leader in the entrepreneurial skills development training, business management skills development training, and microfinance management skills development training.

In December 2006, SEEDS participated in the Global Financial Education Program's Training of Trainer (TOT) in Jakarta, Indonesia. SEEDS SMTI translated, adapted and trained trainers to deliver this training course. They developed two training courses, a 2-day and a 4-day module, which combined the Budgeting, Savings and Debt Management modules and was known as Household Cash Management.

SEEDS FINANCIAL EDUCATION OUTCOMES ASSESSMENT

There were two different cohorts of clients assessed with SEEDS: microfinance clients in Galle and Matara who were directly impacted by the tsunami in 2004, and a second training that worked with microfinance clients and community members in Anuradhapura and Kurunegala.

FINANCIAL EDUCATION IN GALLE AND MATARA (TSUNAMI-AFFECTED REGIONS)

One thousand microfinance clients participated in 2-day trainings between January and April 2006 in the two districts of Galle and Matara in the tsunami-affected area. Specifically, the fieldwork was conducted in an area that was a priority area for relief and reconstruction funds after the 2004 tsunami. All participants in the outcomes assessment attended a 2-day training in Household Cash Management.

As part of the outcomes assessment, four focus-group discussions (FGDs) were conducted in each district for this study. Two different FGD guides were designed: one that asked specific questions about the effect of the tsunami and the role the financial education played in helping clients manage their finances, and a seasonality analysis looking at financial behaviors from the perspective of when clients have income, expenditures, savings and need for loans. In total, 95 men and women participated in eight FGDs. About 95 percent of participants were women.

Discussions revealed that the families living in these districts were affected in many ways by the tsunami. Many families lost family members (also income earners) and some had to care for displaced family members. Homes were destroyed or damaged. Also, many families lost their business assets, such as equipment, market stalls or boutiques.

Most respondents expressed that they have recovered after the tsunami for the most part because of government grants and assistance from non-governmental organizations and charities. For example, the government gave payments to households based on damage to their home. Some projects also gave away equipment so they could rebuild their businesses.

Also, some participants indicated that since the tsunami, there were more microfinance programs in the areas that were offering a range of financial products and tempting residents to take out loans.

Participants cited that increasing costs of basic food and household necessities were their main financial pressures on a day-to-day basis. The participants reported that the most prominent change resulting from participating in the financial education was that they were cutting and reducing unnecessary household expenses. Examples of costs-cutting measures included buying in bulk, reducing number of visits to boutiques to reduce transportation costs, preparing breakfast at home versus visiting a vendor, which is more expensive, installing fluorescent light bulbs to cut down on electricity expenses (even though the bulbs themselves were more expensive) and limiting landline use and calling after 9 p.m. (when units were cheaper).

Many participants discovered during the training course how much they were really spending when they developed a budget. This caused them to reflect and think of ways to reduce expenses. One participant said, "At the training I realized I spend a lot of money on needless things and from that moment I determined to keep track of my daily income and expenses. At the end of the month, I look at it and I try to control expenses the next month."

The participants who began buying in bulk as a result of the training indicated that they were seeing results. One participant indicated, "I buy household necessities which I need for a month from a wholesaler. It is profitable. I can get discounts, too. Earlier, I used to buy coconut oil 250 ml per time (which is Rs. 100 per liter) but now I buy at a wholesaler where I pay Rs. 75 per liter."

Others explained that they were able to cut expenses after the training because they put more effort in sitting with their spouses and children and involving them in the household discussion about how to reduce expenses. For example, increasing electricity costs is a financial pressure as children watch television for several hours. In order to see reductions in costs, they asked their children to watch less television and turned off lights in rooms that were not occupied.

Although there were not many who indicated they were actually keeping a written budget, some had begun keeping one as a result of the training. The participants who were keeping written budgets felt positive about their ability to plan for the future. For example, they were tracking expenses they incurred in previous months and were measuring their progress to control expenses. Also, some participants said that by keeping a budget, their families better understood how household income was being allocated; this was also helping increase trust between husbands and wives. Table A below summarizes some of the household budgeting activities shared by the participants:

Table A. Household Budgeting Strategies of SEEDS Clients

"My husband works as a security officer and I record his income each month and then I keep money aside [that is] needed to pay compulsory payments such as telephone, electricity, water bills, loan installments and then forced savings. Then I estimate the money needed to buy necessities for the month and the rest is deposited in the bank."
"My husband keeps daily records on his businesses and asked me to keep records on household expenses. But I didn't want to. However, after the training on household cash management from SEEDS, I realized that I also need to practice it."
"I keep records on all the expenses incurred at the household and also on income earned. Every month I analyzed the income and expenditure pattern of that month and made decisions on expenses for next month. I am able to cut down unnecessary expenses. It is an advantage of keeping records."

FINANCIAL EDUCATION FOR ANURADHAPURA AND KURUNEGALA

In addition to the course provided to the tsunami-affected areas, in October 2007, SMTI delivered two 2-day training courses in household cash-flow management to two districts in the interior of the country: Anuradhapura and Kurunegala. Anuradhapura is a provincial capital where the SEEDS microfinance program is active. In contrast, SEEDS at the time did not provide microfinance services in Kurunegala. However, Plan International and SEEDS were working together to support microenterprise development and to transition Plan International beneficiaries into microfinance clients.

To assess the influence of the financial education in these two areas, quantitative data was gathered before the training in October 2007 and one month after the training (November 2007). The training was planned for May 2008. A change in management delayed the final data-collection period and, consequently, the final round of data was collected almost one full year later.

Pre-Test

Although 25 participants were to attend each of the two 2-day trainings, attendance was lower in the two workshops. Sixteen participants attended the training in Kurunegala, and 24 participants attended the training in Anuradhapura. In total, 40 respondents independently completed a written pre-test prior to participating in the education.

One Month Post-Test

One month after the training, all 40 respondents filled in the written post-test. In addition, two FGDs were conducted in each district. In total, 24 people participated in four FGDs.

Women comprised a higher percentage of the sample in Kurunegala. Over 87.5 percent of the participants in the training in Kurunegala were women, compared to 79.2 percent in Anuradhapura.

One Year Post-Test

Due to the difficulty of finding the participants one year later, only 19 people completed the final 1-year post-test survey. Thus, analysis of this data is fairly complicated. Because the sample sizes are similar for the pre- and 1-month post-test, the results compared all 40 respondents. However, in the final 1-year post-test, the analysis compares only the 19 people who completed the 1-year post-test. This means we restricted the analysis and did not compare all 40 pre- and post-test clients to the 19 one-year post-test. We were unable to restrict the pre- and post-tests similarly due to the manner in which the data was shared. See Table B for the pre- and post-test comparisons.

RESULTS

Debt Management

As a result of the financial education, clients appear more confident in their ability to repay their loans, with a 10 percentage-point increase from the pre-test to the 1-year post-test at 64 and 74 percent, respectively. However, this data seems contradicted by the increase in the number of clients who had to sell an asset (pre-test to 1-year post-test) in the three months prior to the follow-up survey. This increased from the pre-test to the 1-month post-test and between the pre-test and 1-year post-test. Most of the debt-management feedback reveals that people assess their debt capacity as well as assess which institutions provide better loan terms. "We know how much we earn and how much we need to spend on our household consumption, hence we look at the loan installment and whether we can pay it back or not."

> *Even [the] economy does not make any favor to us; we try to manage our income accordingly. Under the Plan-SEEDS project, officers taught us many things such as how to manage our income by saving, creating our own fund and cutting down unnecessary expenses, and introduced new ventures to us. So we feel that now we can confidently face any difficulties that come to us.*
>
> *—SEEDS client*

A sub-set of the clients studied had just started their own savings group and they were quite happy that they were saving and loaning from their own money versus an outside loan. "We all take loans from our own money with the self-help group (SHG). Therefore, we do not want to cheat for our own money. So we keep a portion from our income to pay back loans. So we can have another loan when necessary. So we all do not want to lose trust in each other."

When they faced financial difficulties, they revealed that they pawned their jewelry and sold their paddy (rice) harvest.

Savings

Knowledge about savings was relatively high at the pre-test and both post-test periods. There was little change in the indicators regarding how to increase savings, importance of savings to the family, savings being for the short and long term and the best places to save. However, there was an increase in the number of people who saved more this quarter compared to a prior quarter (27 and 43 percent from the pre- and 1-year post-test, respectively) and an increase in the number of clients having a savings goal (58 and 100 percent from the pre- to the 1-year post-test, respectively).

The qualitative research revealed that there were various savings activities going on outside of services offered by SEEDS SHG or microfinance programs. Most saved at least Rs. 100 in SEEDS as compulsory savings and some had voluntary savings as well as savings in other government banks such as People's Bank and the Bank of Ceylon. Their savings goals included education fees for their children, investing in their businesses, future needs of their children, for an emergency and as security for the future. People have found it difficult to save over the last year because of the food and financial crises—but they have found ways to save non-cash items such as parts of their harvests and natural materials such as coconut husks that they sell to buyers. Woman are also saving in gold (because its value does not change dramatically) or saving with ROSCAs, death donation societies, or women's societies—as well as saving a fistful of rice each day for future needs.

Overall, the clients indicated they were facing difficult times due to increasing food, transportation and energy costs. The costs for the raw materials had dramatically increased over the past year as well as their children's education and health-care costs, such as medicines. As one client revealed, "Even [the] economy does not make any favor to us; we try to manage our income accordingly. Under the Plan-SEEDS project, officers taught us many things such as how to manage our income by saving, creating our own fund, cutting down unnecessary expenses and introduced new ventures to us. So we feel that now we can confidently face any difficulties that come to us."

Budgeting

All budgeting indicators increased between baseline and the 1-month follow-up, with the most dramatic increase being the number of people who claimed to keep a written budget improving from 22 to 67 percent. This was a 45 percentage-point increase. When comparing the 19 people who completed the pre-test and the 1-year post-test, this change was practically sustained with 64 percent of them having a written budget. The qualitative revealed that for those who did keep a written budget, they did not necessarily keep it in the format they were trained on during the financial education trainings. For those who did not keep a budget, the main challenge was their attitude towards keeping a written budget: some people felt their personal situation wouldn't change even if they kept records, the formats were too complicated, or they simply did not want to keep a written record.

> A client named Ashoka revealed that she shared what she had learned with her sister and brother-in-law.
> *They had a goal to buy a small tractor for their cultivation. Hence they work[ed] very hard and save[d] money while cutting unnecessary expenses. They also […]kept records and saved the required amount with the time to achieve their goal. Within one year they were able to buy their own tractor.*
>
> *—Ashoka, SEEDS client*

The greatest benefit of the budgeting sessions to the respondents was in the identification of where they could reduce their expenses; for example, by growing their own vegetables, not eating outside of the home as often, purchasing in bulk, or going as a group to purchase in bulk. A client named Ashoka revealed that she shared what she had learned with her sister and brother-in-law. “They had a goal to buy a small tractor for their cultivation. Hence they work[ed] very hard and save[d] money while cutting unnecessary expenses. They also […]kept records and saved the required amount with the time to achieve their goal. Within one year they were able to buy their own tractor.”

CONCLUSION

As with data found at CRECER, the easiest behaviors to put into practice were those regarding budgeting, even though respondents found it took real discipline to budget and track their cash flow. There appeared to be a strong culture of savings prior to the education in the sense that clients were already utilizing multiple methods to save: voluntary and compulsory savings with SEEDS, ROSCAS, saving handfuls of rice and gold jewelry. Despite a strong savings culture and knowledge about debt management, the past year has challenged their abilities to save more money and manage their money due to the increasing prices for food, fuel and business inputs. It appears qualitatively that the financial education focused their attention on the management of their money during these difficult times and helped them think about its future use.

Table B: SEEDS Pre- and Post-Test Results							
Question Number	Indicator						
Based on 40 participants from baseline to 1-month follow-up and then 19 of the 40 original participants from baseline to 1 year follow-up							
Section 1: Personal Information							
1	Percentage of clients who completed at least secondary education	30%					
2	Length as SEEDS microfinance client (in years)	2.8					
3	Percentage of participants who were women	83%					
4	Percentage whose main economic activity was agriculture	45%					
Budgeting	Baseline Average (40)	1-Month Follow-up (40)	Difference	Baseline Average (19)	1-Year Follow-up (19)	Difference	
3 PARTS OF A BUDGET	Percentage who know that to calculate a household budget one needs to consider the following: income, expenses and savings	82%	98%	16%	79%	90%	11%
Function of a budget	Percentage who know that a budget can help them balance monthly income and expenses, identify unexpected expenses and take decisions to reduce expenses.	67%	75%	8%	53%	64%	11%
Keep Budget RegulaRLY	Percentage who keep a written budget regularly	22%	67%	45%	27%	64%	37%
importance of a budget	Percentage who indicate that having a monthly budget is very important to them.	75%	85%	10%	74%	85%	11%
sets financial goals regularly	Percentage whose family set financial goals regularly	18%	33%	15%	27%	69%	42%
tracks expenses	Percentage who could remember how much money they spent last week for different purposes	26%	42%	16%	27%	74%	47%

Tracks Expenses By keeping records	Percentage who tracked their expenses and income during the last month through daily or weekly records	13%	46%	33%	0%	53%	53%
Debt Management	Baseline Average (40)	1-Month Follow-up (40)	Difference	Baseline Average (19)	1-Year Follow-up (19)	Difference	
Methods used to control debt	Percentage who know defaulting on their loan and/or paying a loan late are not good ways to keep their debt under control	76%	92%	16%	64%	95%	31%
	Percentage who know it is important to know the costs of taking a loan before deciding to borrow money	65%	63%	-2%	100%	100%	0%
confident can make all loan payments	Percentage who are very confident that they can make all their loan payments	94%	100%	6%	64%	79%	15%
worried about amount of money owed	Percentage who are not worried about how much money they owe (or don't have any debt)	63%	64%	1%	64%	74%	10%
sold an asset due to debt	Percentage who had to sell an asset in the past 3 months due to financial problems	66%	87%	21%	15%	21%	6%
borrowed money because of debt	Percentage who in the past 3 months had to borrow money from a formal financial institution or a family member/friend because of financial problems	54%	66%	12%	42%	73%	31%
steps to take to protect oneself from aggressive lenders	Percentage who know when dealing with financial institutions that make it very easy for them to take out bigger loans and that offer special interest rates that they should ask questions before taking out the loan	88%	95%	7%	85%	90%	5%
Savings	Baseline Average (40)	1-Month Follow-up (40)	Difference	Baseline Average (19)	1-Year Follow-up (19)	Difference	
ways to save money	Percentage who know to save money they can reduce household expenses	98%	100%	2%	100%	95%	-5%
importance of saving money	Percentage who indicated it was very important for them to save money	82%	88%	6%	74%	85%	11%
saved more money	Percentage who indicate they saved more money this quarter than last quarter	40%	46%	6%	27%	43%	16%

know savings goals are for short and long term	Percentage who know savings goals are relevant for the short and long term	73%	82%	9%	74%	74%	0%
have a savings goal	Percentage who have a savings goal	65%	90%	25%	58%	100%	42%
best places to save	Percentage who know that the best place to save their money is a place where they can find safety, it is easy to access and where they receive a positive interest rate	100%	98%	-2%	100%	100%	0%

Annex 9: Outcomes Assessment Tools

CRECER Quantitative Tool

FINANCIAL EDUCATION SURVEY – CRECER

FOR INTERNAL USE ONLY Survey # _ _ _ _

Region ____

Name of Interviewer ______________________ Date ___/___/___ (DD/MM/YY)

Name of Respondent ______________________

Credit Association ______________________

Bank ID Nº ______________________

Introduction and Consent

We'd like to learn more from you and your opinion on the quality of our trainings and how we can improve them. Your participation in this survey is voluntary. However, we hope that you will participate in this survey since your views are important. You have been selected to participate in this survey among other clients of the Credit Association. Your answers will not, in any way, affect your loans. Your answers will certainly help us to better plan and improve CRECER services. The survey will take about 20 minutes. Your identity and your answers will be kept strictly confidential.

Would you like to participate in the interview?

[ ] YES

[ ] NO

CIRCLE OR MARK THE ANSWERS FROM THE RESPONDENT

Section 1: Member's Data

QUESTIONS	ANSWERS/CATEGORIES
1.) How long have you been a client of the Credit Association?	[____] Years **or** [____] Total Months* [ ] Dropped out and returned [ ] New member (*If the respondent dropped out and returned, what is the total length of time as client of CRECER?)
2.) What financial education sessions did you receive?	[____] Budgeting [____] Savings [____] Debt Management [____] Financial Negotiations [____] None ***(Go To Next Section)***
3.) Did you receive any materials (sheets of paper, notebook, photocopies, etc.) during these trainings?	[ ] YES [ ] NO

Instructions for Interviewer: Read the questions in the left column. Answers to these questions are in the right column. You must read the options only if the first line reads "READ THE OPTIONS"; you must simply listen to the respondent's answer and write it down if the first line reads: "DO NOT READ!"

Topic: Debt Management

QUESTIONS	
1.) List at least 3 causes of delinquency:	***DO NOT READ!*** *a.) Divert loan to other uses: use loan for other purposes* *b.) Poor management of money and financial resources* *c.) Over-indebtedness: exceeding my borrowing capacity* *d.) Lack of savings* *e.) Not calculating my repayment capacity before taking a loan* *f.) Other*
2.) What are the consequences of delinquency?	***DO NOT READ!*** *a.) Not being able to access another loan* *b.) Negative impact on the relationship with other group members* *c.) Bad credit reporting to the Credit Bureau* *d.) Other*
3.) Where do you get the money to pay your loan installments every month/week?	***READ THE OPTIONS:*** *a.) From my husband or a relative.* *b.) Little by little during the month/week* *c.) I borrow money from another source.* *d.) I get it one day prior to loan payments.* *e.) I use the money from the group internal loan* *f.) Other*

4.) How do you keep your debts under control?	***DO NOT READ!*** *a.) I keep records* *b.) I am aware of my schedule of payments* *c.) I use all the money I have to make my payments* *d.) I make the higher payment first* *e.) I put aside some money on a regular basis to cover all loan payments* *f.) I do not spend too much money to be able to meet my loan payments* *g.) I estimate my repayment capacity before taking a new loan* *h.) Other*
5.) Taking into account your income, how much can you borrow?	***READ THE OPTIONS:*** *a.) Half of my income* *b.) less than half my income* *c.) 25% of my income*
6.) What do you need to take into consideration before taking a loan?	***DO NOT READ!*** *a.) My income, my expenses and the loan terms (the respondent should list at least one of the loan terms: interest rate, amount, term, etc.)* *b.) Other*

Topic: Savings

QUESTIONS	
1.) What is the rule of thumb for savings?	***Read the Options:*** *a.) Work hard every day* *b.) Keep records of my loan and savings* *c.) Spend less money then what I make and save some money every day or week* *d.) Other*
2.) What are the steps for savings?	***Do Not Read!*** *a.) Set a savings goal* *b.) Know how much money you make and for how long you must save* *c.) Decrease your expenses* *d.) Identify a list of institutions where you can put your savings* *e.) Know how often and how much to save* *f.) Keep your savings under track* *g.) Other*
3.) How do you manage to save money?	***Do Not Read!*** *a.) By not spending too much money* *b.) By setting aside some money for savings* *c.) By using all extra money for savings* *d.) Other*
4.) Do you have a savings plan?	***Read the Options:*** *a.) Yes* *b.) No* **(Go to Question 1 under "Budgeting")**
5.) What are you planning to do with the money from your savings plan?	***Open Question***

Topic: Budgeting

QUESTIONS	
1.) What is a budget?	***Read the Options:*** *a.) A list of monthly payments* *b.) An estimate of my income for the year* *c.) A summary of income and expenses for a given period of time*
2.) What do you need to estimate in your monthly budget?	***Do Not Read!*** *a.) Income, expenses and savings* *b.) Other*
3.) What is a budget useful for?	***Read the Options:*** *a.) It tells you when your monthly payments are due* *b.) It helps you to make decisions on how much money you can spend and how much you can save* *c.) It provides a summary of all kinds of loans you can take*
4.) Do you keep records of your income and expenses?	***Read the Options:*** *a.) Yes* *b.) No—**(End of Survey)***
5.) What kind of notes do you keep?	***Do Not Read!*** *a.) My income, my expenses and my savings* *b.) Other*
6.) How often do you take notes or make records?	***Do Not Read!*** *a.) Daily, weekly, monthly* *b.) When I can; when I remember; once a year*

Pro Mujer Quantitative Tool

FINANCIAL EDUCATION PRE-TEST

Name: ______________________________

Date: ______________________________

Section 1: Member' Data

QUESTIONS	ANSWERS
1.) What is the highest level of education you have completed?	*a.) None* 1 *b.) Some Elelmentary* 2 *c.) Elelmentary* 3 *d.) High School* 4 *e.) College* 5
2.) How long have you been a member of Pro Mujer?	Years ______________ and/or Months [ ] Dropped out and returned

Section 2

QUESTIONS	ANSWERS
1.) How confident do you feel about making your loan payments?	*a.) Highly confident* *b.) Somewhat confident* *c.) Not confident at all* *d.) I have no debt*
2.) What are the responsibilities of a borrower like you? [Choose the best answer]	*a.) Make monthly payments on time, even if it is not the full amount* *b.) Make monthly payments on time and in full* *c.) Make monthly payments in full, even if it is not on time*

3.) The best strategy to make biweekly payments is: [Choose the best answer]	*a.) To ask for help from your husband* *b.) To save some money every day until the biweekly payment is due* *c.) To borrow money from another institution*
4.) What do you need to know before borrowing money? [Choose the best answer]	*a.) Term* *b.) Interest* *c.) Collateral, interest, term, amount*
5.) A good loan increases your income and your business performance.	*a.) True* *b.) False*
6.) It is the obligation of Pro Mujer to collect delinquent loans when clients do not meet their loan payments.	*a.) True* *b.) False*
7.) Over-indebtedness occurs when a client has too many loan obligations but does not have enough money to make all monthly payments.	*a.) True* *b.) False*
8.) What is the cause of over-indebtedness? [Choose the best answer]	*a.) Borrowing money to pay off another loan* *b.) Getting a group loan*
9.) What can you do to manage your debt?	*a.) Continue borrowing money* *b.) Estimate if I can pay off the loan*
10.) I have a plan to decrease my debts.	*a.) Yes* *b.) No* *c.) I don't need to decrease my debts*
11.) How important it is to you to have savings? [Choose the best answer]	*a.) Highly important* *b.) Somewhat important* *c.) Not important at all*
12.) Savings is the money one sets aside for regular expenses.	*a.) True* *b.) False*
13.) Do you have any savings?	*a.) Yes* *b.) No*

14.) One of the steps to save is: [Choose the best answer]	*a.) To save one part of my income* *b.) To save once a year* *c.) To borrow money for savings*
15.) It is possible to save money when one cuts unnecessary expenses.	*a.) True* *b.) False*
16.) How much money do you need to save for emergencies? [Choose the best answer]	*a.) Keep at least 3 times your monthly income* *b.) Keep Bs. 100* *c.) Keep some money only if you have some money left by the end of the month*
17.) A good savings service… [Choose the best answer]	*a.) …offers access to a loan* *b.) …is safe and easy to use* *c.) …does not charge any interest*
18.) Under the terms of a formal certificate of deposit (CD), one can withdraw his money easily.	*a.) True* *b.) False*

Note: *The two tools provided here are only those representing the follow-up FGD guides. There are also tools for the pre-session discussions and those guides that led conversations immediately following the education delivery.*

DISCUSSION #2: FEEDBACK FOLLOWING THE DEBT MANAGEMENT WORKSHOP

Purpose: To identify key topics for participants.

The key topics in this conversation are as follows:

1.) Importance of information for participants

2.) Clarity of concepts discussed

3.) Feedback on the relevance and applicability of knowledge and attitudes

Preparation

- Color sheets with session titles and key concepts
- Color labels
- Notebook/pen to take notes

Time

60 minutes

General

Facilitator:______________________________ Date/Time: _______________________

Region: ________________________________ Focus Center: _____________________

No. of participants in the group: ____________ Women: __________ Men: __________

Other: ____

Introduction

- Thank you for your willingness to meet with our group. We want to hear from you and your thoughts on the workshop in which you have participated.
- Your input will be used to improve the learning sessions on financial education. Our meeting will take about 60 minutes.
- We would like to take notes on our discussion in order for us to be able to remember your remarks. Please be open and feel free to share your opinions with us. Your names and identity will be kept strictly confidential.

Instructions

The following questions are complemented with participatory exercises to encourage participation. Write additional questions in the left column.

KEY QUESTIONS	NOTES
Warm-up question 1.) What part of the workshop did you find the most useful?	
Post 6 cards with one of the 6 key Debt Management topics each. Ask participants to work as a group and put them in order by the level of importance. 1.) The responsibilities and commitment of a borrower 2.) Calculation of monthly payments 3.) Sources of credit and loan products 4.) Payment capacity—what do we need to take into consideration before getting a loan 5.) Late payments to a credit association 6.) Over-indebtedness and its risks **It is not necessary to expect a strict order. What is really important in this exercise is to learn WHY they think these topics are important.*	
From the information you learned during the workshop, what are 2 things you would share with your family?	
Post one card on the wall for each of the following concepts (one concept per card). • How to save money to make monthly payments • How to compare the characteristics of different loan products • How to estimate your payment capacity • How to avoid late payment fees due to the credit association • How to avoid over-indebtedness *Give participants 2 blue labels. Ask them to stick ONE label on the concepts that they will be able to use in their lives immediately.*	

KEY QUESTIONS	NOTES
Point out the concept with the most labels and ask: 1.) Why is this concept the easiest to use? *Then, give participants 2 red labels and ask them to stick ONE label on 2 concepts that they will not be able to use in their lives immediately.* *Point out the concept with the most labels and ask:* 2.) Why is this concept the most difficult to use?	
Post one card with the title "The Most Difficult Concept to Understand" Using the same cards with the 5 key concepts from the prior exercise, ask participants to decide which concepts were the most difficult to understand and post them under the card "The Most Difficult Concept to Understand"	

Thanks and Closing

We would like to thank you for your time and your input. This information is very useful to us.

Preliminary Conclusions

When the discussion is completed, take at least 15 minutes to record overall discussion trends. These notes will be part of the final analysis.

Discussion Guide #2

FEEDBACK FOLLOWING THE SAVINGS WORKSHOP

Purpose: To identify key topics and the most difficult concepts to understand.

The key topics in this conversation are as follows:

1.) Importance of information for participants

2.) Clarity of concepts discussed

3.) Feedback on the relevance and applicability of knowledge and skills

Preparation

- Color sheets with session titles and key concepts
- Color labels
- Notebook/pen to take notes

Time

60 minutes

General

Facilitator:____________________ Date/Time: ____________________

Region: ____________________ Focus Center: ____________________

No. of participants in the group: __________ Women: __________ Men: __________

Other: ____

Introduction

- Thank you for your willingness to meet with our group. We want to hear from you and your thoughts on the workshop in which you have participated.
- Your input will be used to improve the learning sessions on financial education. Our meeting will take about 60 minutes.
- We would like to take notes on our discussion in order for us to be able to remember your remarks. Please, be open and feel free to share your opinions with us. Your names and identity will be strictly confidential.

Instructions

The following questions are complemented with participatory exercises to encourage participation. Write additional questions in the left column.

KEY QUESTIONS	NOTES
Warm-up question 1.) What part of the workshop did you find the most useful?	
Post cards with one of the 8 key Savings topics each. Ask participants to work as a group and put them in the order by the level of importance: 1.) What does saving mean and why do people save? 2.) Setting savings goals 3.) Saving for emergencies 4.) How can I save? 5.) Information on savings services 6.) Comparing formal and informal services 7.) Choosing a savings product 8.) Developing a savings plan **It is not necessary to expect a strict order. What is really important in this exercise is to learn from the remarks regarding WHY they think these topics are important.*	
From the information you learned during the workshop, what are 2 things you would share with your family?	

Post one card on the wall for each of the following concepts (one concept per card): 1.) How to use the savings product 2.) Setting savings goals 3.) Saving for emergencies 4.) Developing a savings plan 5.) Choosing a savings product *Give participants 2 blue labels. Ask them to stick ONE label on the concepts that they will be able to use in their lives immediately.* *Point out the concept with the most labels and ask:* 6.) Why is this concept the easiest to use? *Then, give participants 2 red labels and ask them to stick ONE label on 2 concepts that they will not be able to use in their lives immediately.* 7.) *Point out the concept with the most labels and ask:* Why is this concept the most difficult to use?	
Post one card with the title "The Most Difficult Concept to Understand" Using the same cards with the 5 key concepts listed above in the prior exercise, ask participants to decide what concepts were the most difficult to understand and why and post them under the card "The Most Difficult Concept to Understand."	

Thanks and Closing

We would like to thank you for your time and your input. This information is very useful to us.

Preliminary Conclusions

When the discussion is completed, take at least 15 minutes to record overall discussion trends. These notes will be part of the final analysis. SEEDS Quantitative Tools

SEEDS Quantitative Tool

FINANCIAL EDUCATION PRE-TRAINING ASSESEMENT

Name: ____

Date: ____

SECTION 1: Personal Information

QUESTIONS	ANSWERS
1.) How many years of schooling have you completed	*a.) None ....1* *b.) Some Primary School ....2* *c.) Primary...3* *d.) Secondary..4* *e.) Vocational School or Higher 5*
2.) How long have you been a client of SEEDS?	Years........................ [______] **and/or** Months .... [______] Left and returned.... [ ]
3.) GENDER	Female [ ] Male [ ]
4.) What is your main income-generating activity?	Agriculture [ ] Retail or Shopkeeper [ ] Services [ ] Industry or Manufacturing [ ] Other_________________________ (specify)

SECTION 2: FINANCIAL EDUCATION

Instructions: Please circle the letter by the answer(s) you believe is correct.

QUESTIONS	ANSWERS
1.) To calculate a household budget, one needs to consider the following:	*a.) Income, expenses and savings* *b.) Only interest rates* *c.) Income and expenses* *d.) Savings and expenses*
2.) Having a budget can help me do the following:	*a.) Balance monthly income and expenses* *b.) Identify unexpected expenses* *c.) Take decisions to reduce expenses* *d.) All of the above*
3.) Are you keeping a written budget?	*a.) Yes* *b.) No* *c.) Sometimes* *d.) In my memory*
4.) How important is it for you to have a monthly budget?	*a.) Very important* *b.) Important* *c.) Sometimes important* *d.) Not important*
5.) Do you and your family set financial goals regularly? If YES, what is your financial goal?	*a.) No* *b.) Yes, frequently* *c.) Sometimes* *d.) Only for a few important events in the year*
6.) Can you remember how much money you spent last week for different purposes?	*a.) No* *b.) I can remember a few of my expenses* *c.) I can remember most of my expenses* *d.) I can remember all of my expenses*
7.) How did you track your expenses and income during the last month?	*a.) Through my daily/weekly records* *b.) By discussing with my husband and children* *c.) Through my memory* *d.) I do not track financial records*

8.) Defaulting on your loan and/or paying a loan late are good ways to keep your debt under control. True or False?	*a.) TRUE* *b.) FALSE*
9.) How confident are you that you can make all your loan payments?	*a.) Very confident* *b.) Confident* *c.) Not confident* *d.) I do not have any debt*
10.) It is important to know the costs of taking a loan, before deciding to borrow money. True or False?	*a.) True* *b.) False*
11.) How worried are you about how much money you owe?	*a.) Very worried* *b.) Somewhat worried* *c.) Not worried* *d.) I don't have any debt*
12.) Have you had to sell an asset in the past 3 months due to financial problems? IF YES, what did you have to sell?	*a.) Yes* *b.) No*
13.) In the past 3 months, did you have to borrow money from a formal financial institution or a family member/friend because of financial problems?	*a.) Yes* *b.) No*
14.) What should you do when dealing with financial institutions that make it very easy for you to take out bigger loans and offer special interest rates?	*a.) Take the loan fast, the offer may not last* *b.) Ask questions of the institution or lender* *c.) Sign the contract and get the loan agreement later*
15.) How can you save more money?	*a.) Spend more on household expenses* *b.) Reduce household expenses* *c.) Borrow money from friends and family*
16.) How important is it to you to save money?	*a.) Very important* *b.) Somewhat important* *c.) Important* *d.) Not important at all*

17.) Fill in the blank: Compared to your savings last quarter, did you and your family save ______ this quarter?	*a.) Less* *b.) Same* *c.) More*
18.) Savings goals are only relevant for the long term. True or False?	*a.) True* *b.) False*
19.) Does your family have a savings goal? Yes or No? If YES, what is your savings goal?	*a.) Yes* *b.) No*
20.) It is best to save my money in a place where I can find safety, it is easy to access, and I receive a positive interest rate. True or False?	*a.) True* *b.) False*

SEEDS Qualitative Tools

SEASONALITY ANALYSIS GUIDE
EXAMINING CHANGES IN FINANCIAL BEHAVIOR
RESULTING FROM FINANCIAL EDUCATION TRAINING

Main research questions:

1.) What are the participants' current financial behaviors (budgeting, savings and debt management) and have their financial behaviors changed over the past year? If they answer "yes," to behavior changes over the past year, ask why. What benefits have resulted? How have they helped to deal with financial pressures?

2.) What aspects of the training were most useful to end users and what aspects of the training were the most difficult to apply? How can the training be improved?

Below are some probing questions to assist you in the seasonality analysis FGD.

Welcome

- Thank you for coming—we are grateful for your time.
- We work with SEEDS. We are here to better understand how you handle your money so that SEEDS can improve its services in this area.
- We would very much like to take notes from these discussions to help us remember what we learn and so that we do not miss any of the issues and ideas you give us. We will record this discussion. So that SEEDS can learn, please express your opinions openly. Your specific identifies will be kept confidential in any presentation of our findings.
- As a first step, we should introduce ourselves. Please start and we will follow. My colleague here has prepared name-tags to help us remember your names.

WARM-UP QUESTIONS	
1.) Please tell us how long you have been with SEEDs.	
2.) How is your business going?	

PRA TOOL

In this section, you will conduct seasonality analysis for two categories: Financial pressures and coping strategies.

Step 1

- To begin, ask participants to list some of the financial pressures they face during the year. When do they have troubles managing their money? Write down on small note cards the main financial pressures they face. (Some financial pressures will relate to lump sum payment, covering day-to-day expenses, life-cycle events, emergencies, etc.)

- Then start filling in the first category, which should be called "Financial Pressures." Ask the participants to put the note cards for each financial pressure on the calendar. Facilitate discussion to understand the range of financial pressures. The calendar might look like the following:

	Jan/Feb	Mar./Apr.	May/ June	July/ Aug.	Sept./ Oct.	Nov./Dec.
Financial Pressures	High cost on clothes, food, education expenses, school supplies	Ceremony, New Year/ Vesakl, High electricity bills, cost of food because need to feed more people,				Education School supplies
Coping Mechanisms	Loans					
Savings	New Year Loans, Ask money from friends, Savings				Savings	

- Then ask how they deal with each financial pressure. Write down on small note cards the main ways that people cope with financial pressures. (Some coping may be saving, taking out a loan, etc)
- Then, start filling in the second category, which should be called "Coping Strategies." Make sure that a coping strategy is listed for each financial pressure.

<u>STEP 2</u>

In this section, you will probe to better understand the financial behaviors and if there have been changes in financial behavior. Below are some examples of probes for budgeting, debt management and savings.

<u>*Savings*</u>

- For what purpose do you typically save money?
- How do you save?
- How frequently do you save?
- How long will it take you to save for this goal?
- How much are you saving?
- Where do you save? Why do you save there?
- How do you feel about your ability to save?
- How do you deal with emergencies?

- Have there been any changes in the way you saved in the past month?
- If yes, what has influenced the change? What results have you seen by making this change?

Debt Management

- What are the main reasons you (or others like you) take out a loan or borrow money?
- How do you decide whether or not to take a loan?
- Where do you borrow from? Why do you borrow from there?
- How many loans do you have now? How do you know how much debt you can afford?
- What types of problems have you (or others like you) faced managing your debt?
- What happened? How did you resolve the problem?
- What do you to avoid getting into this type of debt or payment problem? Note: Be specific and ask for examples.
- Has the way you managed debt changed over the past month? If yes, what has changed and why?
- What are examples of how it has changed? What results have you seen by making this change?

Budgeting

- What do you do to make sure that you have enough money to cover your expenses? Unexpected expenses? Emergencies? Life-cycle events?
- If participants say they "track income and expenses," ask: How does your family track household income and expenses? What tools do you use? How often do you track income and expenses? Who is involved?
- If participants say they "have a budget," ask: What type of information does a budget have? How does your family keep a budget? What are some examples of how your family uses the budget? What are benefits of using a budget?
- How useful is it to keep a budget and why?
- Has the way you manage your money changed over the past year? If yes, what has changed and why? Describe examples of how it has changed. What results have you seen by making this change?

STEP 3 Financial Education Questions

In this section, you will introduce the Financial Education Training .

1.) What trainings have you attended in the past related to financial education or business?
    - Who delivered the trainings?

- How did you feel about the trainings?
- What were the topics covered?

2.) You attended a 2-day Financial Education training one month ago. What are the three most useful things you learned in the training and why?

- What have you been able to apply in your life?
- How has it helped? (Note: Be specific. If the group says "budgeting," then ask what specifically was learned and why it was important. What was the most important thing they learned, then ask "why?")

3.) Has the training allowed you to better deal with your financial pressures? If so, how? (Go back to the PRA tool and allow them to answer referring to the tool if helpful)

- What would it take for you to apply these difficult aspects in the future?

4.) What things in the training were difficult to apply and why?

- What would it take for you to apply these difficult aspects in the future?

5.) How can the training course improve in the future?

- What would it take for you to apply these difficult aspects in the future?

Closure

Thank you, your answers have been very helpful and informative. We are very grateful for the information you have provided.

Do you have any questions or suggestions for us?

Financial Education

A ROAD MAP FOR THE CURRICULUM

Financial Education
FROM POVERTY TO PROSPERITY

IMPLEMENTATION GUIDANCE

INTRODUCTION: THE RATIONALE FOR FINANCIAL EDUCATION

MARKET RESEARCH GUIDANCE

OUTCOMES GUIDANCE

ADAPTATION GUIDANCE

ADULT LEARNING PRINCIPLES AND CURRICULUM DESIGN FOR FINANCIAL EDUCATION

Working Papers

#1 FINANCIAL EDUCATION FOR THE POOR

#2 MARKET RESEARCH FOR FINANCIAL EDUCATION

#3 ASSESSING THE OUTCOMES OF FINANCIAL EDUCATION

#4 CAN FINANCIAL EDUCATION CHANGE BEHAVIOR? LESSONS FROM BOLIVIA AND SRI LANKA

TRAINERS' GUIDES

BUDGETING:
Use Money Wisely
Curriculum and Content Note

SAVINGS:
You Can Do It!
Curriculum and Content Note

DEBT MANGEMENT:
Handle with Care
Curriculum and Content Note

BANK SERVICES:
Know Your Options
Curriculum and Content Note

FINANCIAL NEGOTIATIONS:
Communicate with Confidence
Curriculum and Content Note

TRAINNING OF TRAINERS MANUALS

BUDGETING:
Use Money Wisely
TOT Manual and Toolkit

SAVINGS:
You Can Do It!
TOT Manual and Toolkit

DEBT MANGEMENT:
Handle with Care
TOT Manual and Toolkit

BANK SERVICES:
Know Your Options
TOT Manual and Toolkit

FINANCIAL NEGOTIATIONS:
Communicate with Confidence
TOT Manual and Toolkit

SHRI MAHILA SEWA SAHAKARI BANK LTD. · TEBA BANK · AL AMANA · MICROFINANCE CENTRE · C.A.R.D. M.R.I. · EQUITY BUILDING SOCIETY · pro mujer