

## FINANCIAL EDUCATION IN THE CHANGING LANDSCAPE OF THE DEVELOPING WORLD



■ **How the Global Financial Education Program has designed its curriculum from the ground up. By Candace Nelson of Microfinance Opportunities.**

### What is Financial Education?

Families at all income levels share the same aspirations. They seek to put food on the table, educate their children, acquire a home of their own and plan for the future. To be poor is to have these goals with fewer resources and opportunities to achieve them. To set aside even small amounts of money, low income families need to be careful spenders as well as skilled money managers. Giving them the tools and the power to do this is what financial education is all about.

Financial education teaches the knowledge, skills and attitudes that people need to adopt good money management practices for earning, spending, savings, borrowing and investing.

Financial education is often confused with business education which it is not. Financial education does not teach how to write a business plan, nor how to run a business, nor the related skills of pricing, record keeping, marketing or customer service. What it does do is promote behaviour change, helping people shift from reactive to pro-active decision-making about household finances.

### Who Benefits?

Easily tailored to different market segments, financial education can help virtually anyone who makes decisions about money. It can teach the ‘banked’ to compare financial institutions and their products, while for the ‘unbanked’ its objectives might include savings promotion, improving the ability to budget and careful borrowing. Receivers of remittances learn to maximise what is, for most, a temporary source of income. Youth, in transition to adulthood, need a broader range of skills incorporating communication, strategies for earning money and basic financial management. Low income consumers who now have access to microinsurance coverage need to understand how insurance works and overcome common mistrust of insurance in order to protect themselves from crises that can wipe out hard won assets.

By promoting financial literacy among individuals, financial education can have far reaching benefits for both institutions and the markets in which they operate. Financial institutions use financial education to better meet client demand,

cultivate informed consumers, gain competitive advantage, improve their bottom line and enhance their standing as good corporate citizens. Informed consumers play a monitoring role in the market, weeding out bad practices and poor providers. They are better able to put pressure on financial institutions for appropriately priced and transparent services.

### Why now?

A changing landscape makes financial education more relevant now than ever. A proliferation of financial service providers has begun to reach down to the low income market bringing with them a diversity of new products. Technology, notably cell phone banking, offers the opportunity to create unprecedented access to financial institutions by disenfranchised populations who are largely ‘unbanked’. However, research indicates that these new clients often do not understand how to take advantage of the range of financial products at their disposal.

### What is the Global Financial Education Program (GFEP)?

Begun as a collaborative effort of Microfinance Opportunities and Freedom from Hunger with support from the Citi Foundation, the Global Financial Education Program is the first large-scale program targeted at those just above and below the poverty line in developing countries. Working in partnership with MFIs, NGOs, banks and their clients around the world, GFEP has designed

financial education curriculum from the ground up, using extensive market research and pilot testing. Its curriculum includes five core modules; four 'specialised' modules will be published by year's end. All are based on established principles of adult education and include step by step instructions for facilitators to conduct active, participatory learning sessions.

As it disseminates its curriculum, GFEP is building a global network of financial educators. It has trained trainers from several hundred institutions in over 35 countries to adapt and use this curriculum. These partners, in turn, have adapted it, expanding financial education beyond the classroom with posters, street theater and radio programs.

- In Asia, GFEP sponsors an 'innovations' contest in financial education for all the organisations that have participated in its TOT workshops. In 2008, the first place winner was LIPI Employees Multipurpose Cooperative (LIPIEMCO) in the Philippines for its program to help financially distressed members. Entitled "Look at Me", the program integrates financial education, mentoring, financial recovery planning and significant incentives for on-time loan payments.
- After its exposure to financial education in a GFEP training of trainers workshop, FASECOLDA, the Columbian Association of Insurers eagerly volunteered to pilot test the Risk Management and Insurance module with several groups of clients. As a result, it now has a curriculum revised to reflect the insurance landscape in Columbia and

## GFEP Financial Education Curriculum

### Core Curriculum

#### **Budgeting:**

Use Money Wisely

#### **Savings:**

You Can Do It!

#### **Debt Management:**

Handle With Care

#### **Bank Services:**

Know Your Options

#### **Financial Negotiations:**

Communicate With Confidence

### Specialised Curriculum

#### **Young People:**

Your Future, Your Money

#### **Remittances:**

Make the Most of Them

#### **Risk Management and Insurance:**

Protect your Family's Future

#### **Consumer Protection:**

Balancing Rights and Responsibilities

is planning to work with insurance providers and other organisations to train low income households.

- Youth organisations in Kenya are also excited about financial education. Adolescent girls living in the Nairobi slums have responded very positively to the messages about the importance of saving, how to save and where to save. They report that such practical information is refreshing after repeated exposure to HIV/AIDS education. In fact, in response to the girls' demand, efforts are now underway with K-REP to design savings products tailored to youth. With support from the Nike Foundation, GFEP will expand its work with girls to Uganda, Mongolia, Burundi and the Dominican Republic.

### Microfinance Opportunities and the Micro Insurance Agency

Microfinance Opportunities is pleased to work with MIA and count it in its community of partners. As microinsurance expands, conference presentations, discussions and papers rarely fail to cite financial education as a critical component of its success. Indeed, market

research has revealed that clients holding the early credit-life policies often only understood this product in terms of the additional interest they paid on their loan; they never saw a policy, did not understand its terms and did not trust that it could actually help them. But MIA has made a commitment to educate its target market as it promotes much needed insurance for low income families. The Microfinance Opportunities project with MIA includes developing training materials for MIA country offices to use to train clients. These materials include a trainer's guide, a training of trainers manual, as well as other supplementary tools such as comic books.

At its core, financial education embraces timeless messages about regular saving and thoughtful spending. At the same time when empowering low income families to take advantage of branchless banking opportunities or purchase insurance to protect their families, financial education stands on the frontier of innovation, linking advances in finance (new products, services, consumer protection codes of behaviour, etc.) with the people who will use them.