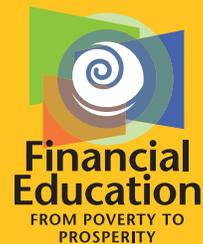


# Implementation Guidance



Introduction

Market Research  
Guidance

Outcomes  
Guidance

Adaptation  
Guidance

Adult Learning  
Principles and  
Curriculum  
Design

Microfinance  
**Opportunities**  
*"Putting Clients First"*

Citi Foundation

**citi**

*freedom*  
from Hunger

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# IMPLEMENTATION GUIDANCE

*Introduction*  
*Market Research Guidance*  
*Outcomes Guidance*  
*Adaptation Guidance*  
*Adult Learning Principles and Curriculum Design*

**Financial Education for the Poor Project**

**Washington, D.C.**

**2006**

# PREFACE



## **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



## **CITI FOUNDATION**

The Citi 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 [www.citigroupfoundation.com](http://www.citigroupfoundation.com).

# ACKNOWLEDGEMENTS



SHRI MAHILA SEWA  
SAHAKARI BANK LTD.

The idea to develop a financial education curriculum for the poor grew out of a dinner-table conversation with Jayshree Vyas, the managing director of SEWA Bank. She argued, quite correctly, that financial literacy is critical for improving money-management skills and promoting asset-building for the poor. When the idea was first proposed to Citi Foundation in 2002, financial education for microfinance clients was new and different.



Aside from SEWA Bank, few, if any, institutions in developing countries had ventured into financial education. On the face of it, a major program to promote financial literacy in poor countries looked like a challenging venture, both for Microfinance Opportunities and for Citi Foundation. Freedom from Hunger had worked with SEWA on its financial literacy training program and was invited to become a major partner in 2003. Since then, there has been an outpouring of interest from microfinance practitioners who want to join the program. While many wondered out loud why it had taken the microfinance industry so long to recognize the importance of financial education, they immediately saw it as a “win-win” for both microfinance institutions and their clients.



First and foremost we would like to thank Citi Foundation for investing in this program. Chip Raymond, the former President of the Foundation, and Leslie Meek, our Program Officer, took a double risk, embarking on a new area of microfinance and supporting a start-up organization, Microfinance Opportunities. They have been superior partners in their strong support for this work. Subsequently others from Citi have joined us in our work. They include Stacey Sechrest of Citi’s Office of Financial Education and Amy Feldman of Citi Foundation and they have provided valuable inputs as we have moved towards finalizing the curriculum.



MICROFINANCE CENTRE  
for Central and Eastern Europe and the New Independent States

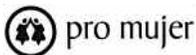
We want to express our appreciation to the partner organizations and their clients who made the development of this curriculum possible. They are Al Amana (Morocco), CARD Bank (Philippines), Equity Building Society (Kenya), the Microfinance Centre (Poland), Pro Mujer (Bolivia), SEWA Bank (India) and Teba Bank (South Africa). Over the three years of this project, they have worked diligently in conducting market research, as well as developing and testing training modules.



C.A.R.D. M.R.I.  
CARD Mutually Reinforcing Institutions



We owe a huge debt of thanks to Candace Nelson for her technical and editorial contributions. It is also timely to express our appreciation of members of our staff who have provided us with the support to get the work done. They include Tracy Gerstle, Diana Tasnadi, Danielle Hopkins and Liz McGuinness of Microfinance Opportunities, and Christopher Dunford, Rossana Ramirez, Ellen Vor der Bruegge, Marc Bavois, Joan Dickey, Julie Uejio, Bobbi Gray and Wava Haggard of Freedom from Hunger.



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# IMPLEMENTATION GUIDANCE

## *Introduction: The Rationale for Financial Education*

**M. Cohen**

**C. Nelson**

**K. Stack**

**Washington, D.C.**

**2006**



# INTRODUCTION: THE RATIONALE FOR 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 little disposable income to spend on achieving them, particularly when unexpected events such as death, illness or losses from natural disasters draw down hard-won gains. To husband even small amounts of money, poor people not only need to be careful spenders, but informed, skilled money managers as well. Giving them the tools and the power to do this is what financial education is all about.

## The Purpose of Financial Education

The growing maturity of the microfinance sector is generating a proliferation of financial service providers that reach down to the low-income market.

Microfinance providers now include a broad array of institutions, among them banks, finance companies, consumer lenders, NGOs, self-help groups and village banks. In an increasing number of urban markets, all compete to serve the self-employed and low-level salaried employees.

Paralleling this diversity of institutions is the emergence of new products that respond to the life-cycle and market pressures facing low-income households. In addition to the ubiquitous working capital micro-loans, credit for housing and education are now increasingly available. Where banks have entered the market, either as direct providers or in partnership with an NGO, current account and long-term savings services are also options. In a few markets, low-income clients have access to insurance coverage for death, outstanding loan balances, and even healthcare expenditures.

Although the poor have access to more financial institutions and a greater range of products than ever before, many are not exercising their choices. They stick to their current provider, formal or informal, even when a better or more appropriate service is available close by. SEWA Bank, for example, has a mandate to help clients pay down their informal debt, but their customers do the opposite—that is, they use its loans as an additional source of household credit.

Such apparent indifference to new options appears to be a reflection of clients' lack of information about their choices and poor grasp of how to choose among them. These products incorporate a range of features, benefits, costs and obligations with which those new to banking may not be familiar. To truly benefit from this expanded range of options, the poor need to be able to effectively compare their features and make informed decisions about which products will best serve their needs. While increasing diversity in the microfinance industry is a welcome, positive development, it is occurring under an erroneous assumption that clients who have successfully managed informal debt can also manage new products that may be more complicated or formal. Although financial institutions do distribute promotional materials and generally post their rates and fees, the utility of this information is limited if the consumer lacks the skills and knowledge to interpret it.

Indeed, the large increase in new account holders would seem to confirm that few borrowers have problems taking out a single loan or making intermittent deposits in a savings account. However, they tend to stumble later, when they have exhausted low-risk investment opportunities and seek more money or multiple loans from more than one microfinance institution. Poor money management skills lead borrowers into arrears as they try to juggle repayment schedules or manage larger investments. The result is a failure to make effective use of the available range of formal financial services.

Financial education is a win-win investment for both clients and financial service providers. By teaching the knowledge, skills and attitudes required to adopt good money management practices for earning, spending, saving and borrowing, financial education enables poor people to better manage their money and financial options and improve their well-being. For the microfinance institutions, the informed customer makes for a better bottom line.

## The Financial Education for the Poor Project

The curriculum of the Financial Education for the Poor Project addresses the limited financial literacy common among low-income households. Good, proactive money management skills are different from the survival and reactive instincts of low-income consumers who struggle to stay one step ahead of the next crisis. The curriculum trains them in money management that will help them move from reactive to proactive financial decision-making. It can give low-income households the knowledge, skills and attitudes that will serve them well as their use of microfinance services gradually integrates them into the broader financial system.

In developed countries, financial education is an integral part of civic education. This Financial Education for the Poor Project is the first large-scale program targeted at those just above and below the poverty line in developing countries. Until now, this population has viewed financial planning and

education as the province of the rich. Few presumed that it might be appropriate for people like themselves, those without a regular cash flow and financial surpluses. Yet, when financial education is explained to them, the illiterate and literate, women and men, the urban and rural, are quick to grasp the benefits of improving their management of financial resources and understanding their financial options.

Successful financial education requires a content that is relevant to the targeted learners, a pedagogy and delivery system that is appropriate to their knowledge and literacy levels, and support from an institution firmly committed to the program. This project reflects a confluence of these forces. Its financial education curriculum was developed by Microfinance Opportunities in collaboration with Freedom from Hunger and with support from the Citi Foundation. Each partner brought different strengths to the process. Microfinance Opportunities, a microfinance client resource center, contributed a strong understanding of client preferences and behavior related to the use of financial services. Freedom from Hunger brought extensive expertise in adult learning pedagogy and integration of education with microfinance to the design of the curriculum to promote financial behavior change among low-income households. Citi Foundation is heavily committed to the promotion of financial education programs in the United States and globally. This curriculum is a major investment in comparable activities in the developing world.

The development of the learning sessions was driven by a bottom-up approach. Microfinance Opportunities and Freedom from Hunger worked with partners Pro Mujer (Bolivia), Teba Bank (South Africa), Al Amana (Morocco), Equity Building Society (Kenya), SEWA Bank (India), CARD Bank (the Philippines) and the Microfinance Centre (Poland). The project design required each partner to identify themes and develop learning sessions with guidance from Microfinance Opportunities and Freedom from Hunger. While each organization set different objectives for its engagement in this program, all followed the same route, starting with market research to determine their target population's financial education priorities, curriculum design informed by the analysis of market research data and finally pilot-testing of at least two modules. The wealth of information thus generated provided a strong base that Microfinance Opportunities and Freedom from Hunger used to develop a generic curriculum rooted in the field and to build partner capacity to conduct market research and design an adult education curriculum.

## The Curriculum Consumers

This curriculum is targeted at low-income households. Because the project goal is to develop generic financial education learning modules for the populations reached by microfinance institutions, they provided the point of entry for this project. However, the curriculum can serve a much broader audience. The "Adaptation Guidance" in *Financial Education for the Poor: Implementation*

*Guidance* that accompanies the curriculum provides instructions on how to customize the learning sessions to different target groups—more or less literate, male or female, the elderly or adolescents. Indeed, the Microfinance Centre, working in Poland, is targeting a broad band of people, ranging from schoolchildren to the former middle class who have fallen through the safety net intended to protect them after transition to a market economy. The curriculum can also be adapted to different learning environments, expanded or contracted to fit the preferences of both trainers and target populations.

The financial education curriculum is not restricted solely to microfinance institutions. It can be used by any institution that finds its lessons appropriate to its clientele, including financial service providers, training institutions, schools, or community-based organizations. Preferably, the training provider is able to adapt and deliver the financial education in a manner that is appropriate to a particular target population.

The curriculum includes training guides for both training trainers and participant training. The former refers to those who conduct training of trainers courses; the latter are those who work with the end users of the content: low-income people wishing to improve their money management capabilities.

## The Financial Education Curriculum

At the start of the project there was little developing country information on financial education to draw on.<sup>1</sup> The large financial education database in the United States, the United Kingdom and Australia was less relevant than originally hoped because the financial context that frames financial education issues in these countries is a sophisticated banking system. The objective of financial education is to encourage low-income people to enter the financial system by opening check and credit card accounts, neither of which are available nor seem appropriate to low-income households in developing countries.

The limited developing country experience with financial education dictated a comprehensive design with three major components:

- Market research to assess people's financial strategies and opportunities for financial education
- Development and implementation of a training curriculum
- Development of a template for measuring outcomes

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<sup>1</sup> See Sebstad, Jennefer and Monique Cohen, "Financial Education for the Poor," Working Paper No. 1, Microfinance Opportunities, Washington, D.C., 2003.

## A. MARKET RESEARCH

Faced with a relatively blank slate, new market research was vital to answering the questions about what to teach (content) and how to teach it (delivery of content). A variety of market research techniques were used to elicit information and to allow all involved to develop ownership in the learning agenda. The findings informed designers about existing client behaviors, knowledge, skills and attitudes as well as how clients like to learn, how often they want education, for how long and where.

Across the three continents we found a consistent demand for five broad themes of financial education:

- Budgeting
- Debt Management
- Savings
- Bank Services
- Financial Negotiations

Within the MFI partners, the Institutional and Human Resource Assessment component of the market research-generated information about those who will train (to design the curriculum in line with their capabilities), assessed how financial education fit within the service provider's mission and identified how the mode of delivery could fit the institutional context.

## B. TRAINING CURRICULUM

The design of the financial education learning modules integrates the market research findings on content and delivery. The learning modules on each theme are divided into multiple learning sessions. All were systematically designed by drawing on the findings from the research to answer the following questions:

- **Who?**—profiles of participants and teachers
- **Why?**—overall purpose of the financial education
- **When?**—the length and frequency of training sessions
- **Where?**—extends beyond the location to the entire set of materials needed
- **What?**—content and use of the training
- **What for?**—set of achievement-based objectives for the course
- **How?**—series of learning tasks that accomplish the achievement-based objectives

This financial education design is dialogue-based and learner-centered. The underlying premise is that adults learn more effectively when they can relate the content to what they already know. To change their financial behaviors, adults must have an opportunity to reflect on new content, relate it to their personal situations, practice using it, and determine how they can apply it.

### **C. OUTCOMES**

Outcome assessment is an integral part of the curriculum. It is an important tool for understanding the extent to which a financial education program is meeting its objectives at both the client and institutional levels. The outcome assessment component of the curriculum focuses on the following:

- Client-level changes in knowledge, skills, attitudes and behaviors
- Client-level changes in financial well-being
- Institutional-level changes in financial performance

The findings will be used to help curriculum designers, trainers and program managers improve the content and delivery of financial education, tailor it to particular target groups, and keep programs accountable to learners. Measuring outcomes will lead to improving program effectiveness by identifying best practices for promoting financial literacy among specific groups of people, and proving impact—results that can be used to justify support for financial education programs.

## **A Road Map for the Curriculum**

Three main publications, comprised of the Implementation Guidance, Trainers' Guides and Training of Trainers Manuals, make up the Financial Education for the Poor Project curriculum (see figure below). The Financial Education for the Poor Project curriculum targets three levels of stakeholders in the financial education process:

- **Managers of institutions** who wish to introduce their staff, clients, or others to financial education. The Implementation Guidance provides the needed information on what is involved and the steps to be taken if an institution wishes to invest in financial education.

- **Institutional trainers** who use the Training of Trainers (TOT) Manual and a companion Trainers' Guide for the five financial education themes mentioned earlier. The TOT Manual contains the learning activities designed to train trainers to deliver learner-centered education to adults.
- **Trainers of financial education consumers** who use the companion Trainers' Guides that contain learning sessions for the delivery of each of the five financial education topics to the end user. The learning sessions are flexible and can be readily adapted to the learning abilities of the participants and the local context.

## Road Map to Curriculum Components

### 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*

**MARKET RESEARCH FOR FINANCIAL EDUCATION**

**ASSESSING THE OUTCOMES OF FINANCIAL EDUCATION**

### TRAINERS' GUIDES

**BUDGETING:**

*Use Money Wisely*  
Curriculum and Content Note

**SAVINGS:**

*You Can Do It!*  
Curriculum and Content Note

**DEBT MANAGEMENT:**

*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

### TRAINING OF TRAINERS MANUALS

**BUDGETING:**

*Use Money Wisely*  
TOT Manual and Toolkit

**SAVINGS:**

*You Can Do It!*  
TOT Manual and Toolkit

**DEBT MANAGEMENT:**

*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

