



Understanding Financial Education and Financial Health

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Action Group from Research to Practice and Back Again: Objectives

<https://www.e-mfp.eu/research-practice>

- Promote the **learning** of microfinance and financial inclusion at the university level
- Identify **research needs** of field level institutions as well as organisations supporting and enabling the development of the sector
- Identify the **sources of data** that enable conducting the research
- Disseminate and increase impact of research by translating research results into **practical guidance and solutions**

Action Group from Research to Practice and Back Again: 2022-2023 plan of activities

For 2022, the AG will focus on (digital) **financial education** and its relationship with **financial health**.

This will entail a better understanding of both financial education (FE) and financial health (FH) in terms of: concepts / definitions; scope; measurement / indicators; organisations and types or organisations using FE and FH and why; relationships between FE and FH in theoretical and empirical ways; proposal of suitable indicators.

FH and FE definitions



AG on Research

From research to practice and back again

Financial Education

Develop **knowledge and skills**, and change **attitudes and behaviors** in order to make informed financial decisions: recognize both financial risks and potential opportunities, know where to seek financial support, and take other effective actions to improve financial well-being. It is based on the provision of **impartial information, education and / or objective advice**, aligned to the specific needs of the recipients.

(Atkinson & Messy 2013, AFI 2021, MaPS 2021, OECD 2021, Huston 2010)

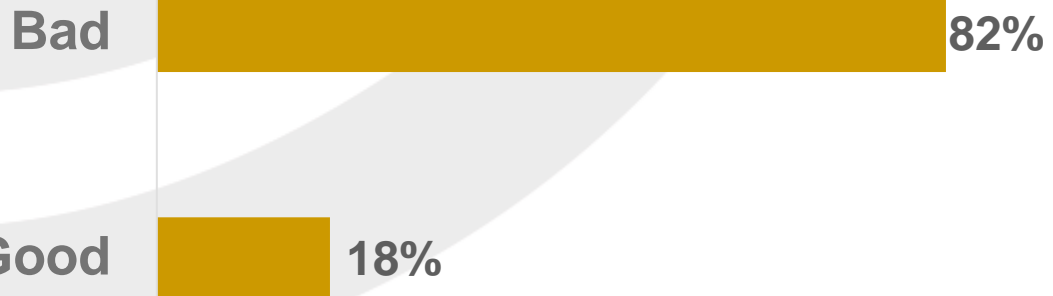
Financial Health

- Be in **control** of your finances
- Feel **capable** of being able to **absorb** any **financial shocks**
- Feel **confident** about your financial future
- Be **free** to make your own **financial decisions**
- Be **able** to **pursue** and **seize opportunities** as they arise

(Sing et al 2021, CFPB 2017, FHN 2016, NCUF 2015, Muir et al 2018, CWBA-MI 2018, Kempson et al 2017, Prawitz et al 2006)

Poll with audience

Is consumer debt good or bad for low-income people?



Should debt be factored into the measurement of financial health?



Understanding Financial Education and Financial Health



Amrik Heyer
FSD Kenya



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Lydia Baffour Awuah
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Findings from FinAccess on Kenya's financial health trends; discussion of drivers of declining financial health and implications for financial capability



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MARKETS DATA

NSE 20 INDEX	1666.47	▼ 0.05%
EDX30	24.74	▼ 0.21%
NIGERIA	11756.56	▲ 1.07%
45942.82		
USGANDA	3.69	▼ 0.25%
1280.15		
NSE ALL SHARE	128.09	▼ 0.50%
JOHANNESBURG	1975.02	▲ 1.54%
78719.27		
DAR ES SALAAM	1846.85	▲ 0.38%
1.52		
LISAKA	98.66	▲ 0.53%
7219.46		

'Every single business has a responsibility to the community in which it operates'

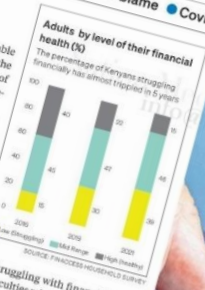


Share of financially stable Kenyans halves in 5 years

Cost of living and runaway inflation to blame Covid shocks leave wealthy households on shaky grounds

SURVEY CONSTANT MUNDA

The proportion of financially stable Kenyans has more than halved in the past five years amid runaway cost of living and stagnant pay, a new household survey shows. Latest findings of Financial Access that the share of adults with high levels of financial health to enable them to afford the day-to-day financial needs, deal with emergencies and invest in future goals - technically called top wealth quintile - shrank to 15 percent last year from 40 percent. The household survey, conducted by the Central Bank of Kenya, the Kenya National Bureau of Statistics and the Financial Sector Deepening Trust - Kenya (FSD Kenya), links the growing share of wealthy families struggling with financial needs to difficulties related to aftermath of the Covid shocks, which disrupted supply chains.



TICKER

SMEs bag Sh3.3bn in State credit guarantee programme

A total of 2,190 small and medium enterprises received Sh3.3 billion under the State-backed credit guarantee scheme in the year to June 2022, as the government's plan to derisk small traders took off

KVDA fails ethnic balance test, says Auditor-General

Gathungu has cited an Eldoret-based regional authority for flouting the law that requires that not more than 30 percent of staff come from one ethnic community. She says out of the 139 staff hired at the Kericho Valley Development Authority Kalemjin.

Banks to use Treasury bonds as loan security

Banks will soon be able to borrow from each other using government debt securities as collateral in reforms aimed at boosting liquidity in the industry while freeing the Central Bank of Kenya (CBK) from frequent bailing out of cash-starved institutions.

Gambling |

Nakuru, Nyandarua top list of counties hooked on betting

Nakuru has emerged as the county with largest share of population engaged in betting and gambling activities, pointing to deep penetration of the craze which promises opportunities to make quick money. A survey of counties found that Nakuru, which became Kenya's fourth city last December, took part in betting, gaming and prize competition



Youth slot coins in a betting machine in a bid to strike it rich. FSC

Nakuru has a betting or gambling prevalence of 25.6 percent, the highest in the country, according to the findings of the Financial Access (FinAccess) Household survey conducted by the Central Bank of Kenya, Kenya National Bureau of Statistics and the Financial Sector Deepening Trust - Kenya (FSD Kenya). It is followed by West Pokot, where a quarter of residents are signed up on the betting sites or apps or buy a lottery ticket followed by Nyandarua (23.7 percent), Busia (22.3 percent) and Trans Nzoia (20.9 percent). Other counties in top 10 betting counties are Siaya (19.3), Nairobi (19 percent), Machakos (18.5 percent), Murang'a (17 percent) and Kisumu (16.9 percent). Betting is popular among young people - employed as well as the jobless - who see it as offering a game-like thrill besides an opportunity to make quick money. While a few punters get

The Financial Health of Kenya's adult population has been falling since 2016, when it was first measured

The financial health index

Ability to manage day to day:

- never went without food during the last year
- doesn't have trouble making ends meet between income cycles
- has a plan/budget for allocating income and expenses

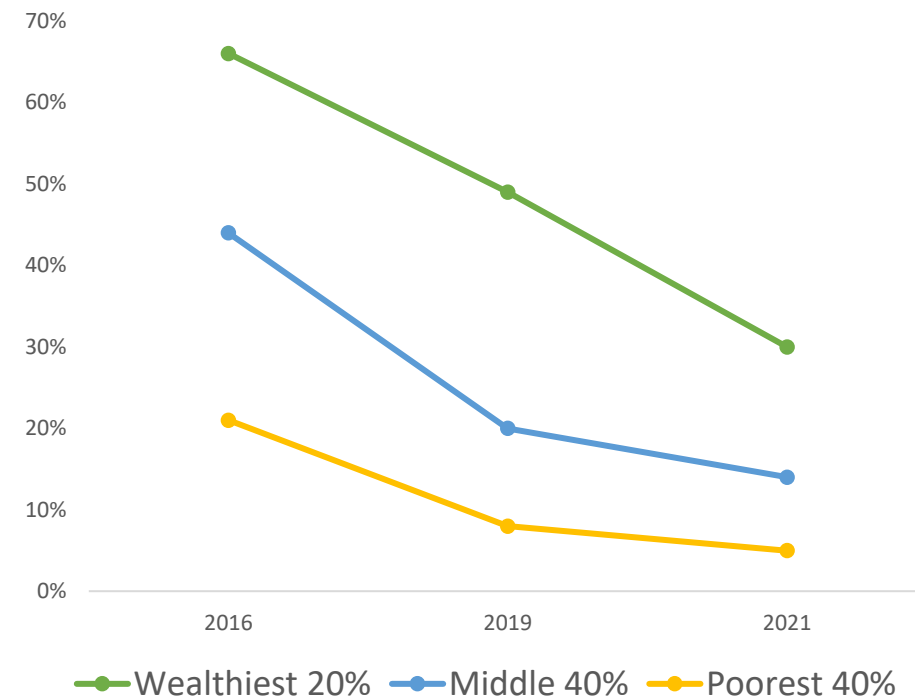
Ability to cope with risk:

- never went without medicine in the last year
- regularly kept money aside for emergencies
- can get hold of a lump sum within 3 days

Ability to invest in the future:

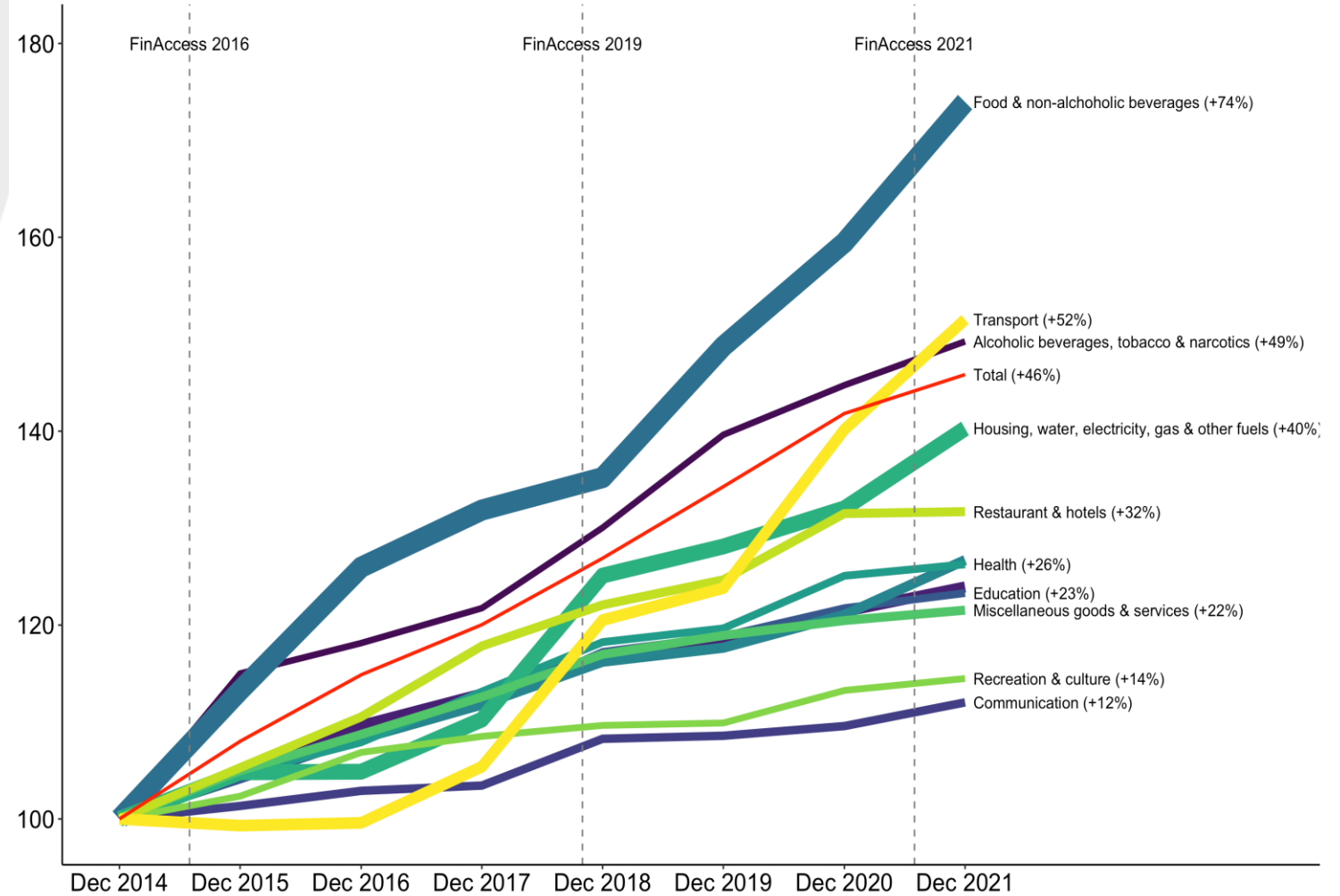
- using savings or credit to invest in productive assets
- education or old age; is using/plans to use savings
- pension or investment income to make ends meet in old age; has been regularly putting aside money for the future.

Financial Health 2016-2021 by wealth group



Inflation has put pressure on expenditures

Cumulative changes in consumer prices by commodity groups (Price index, Dec 2014 = 100)

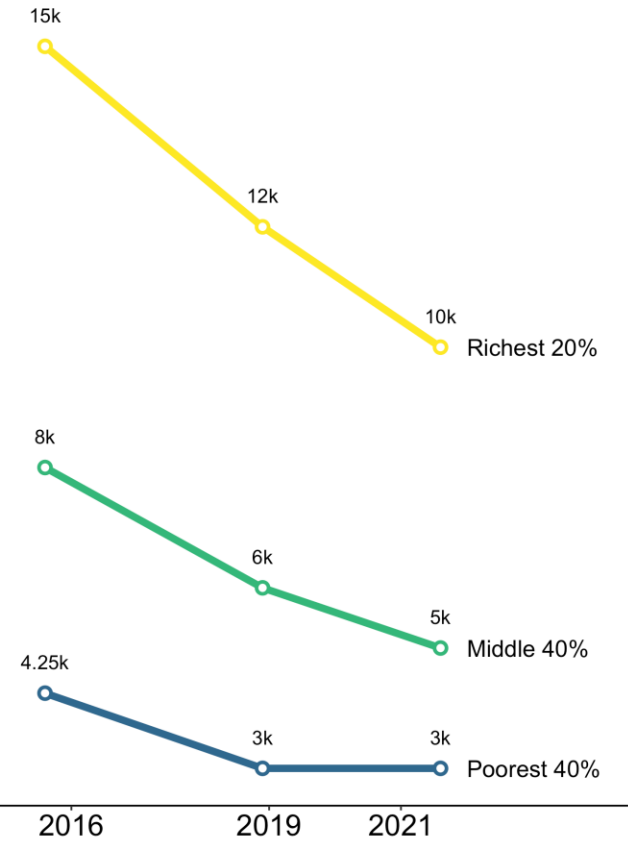


Median incomes have fallen or stagnated

Personal monthly income (KShs, self-reported)



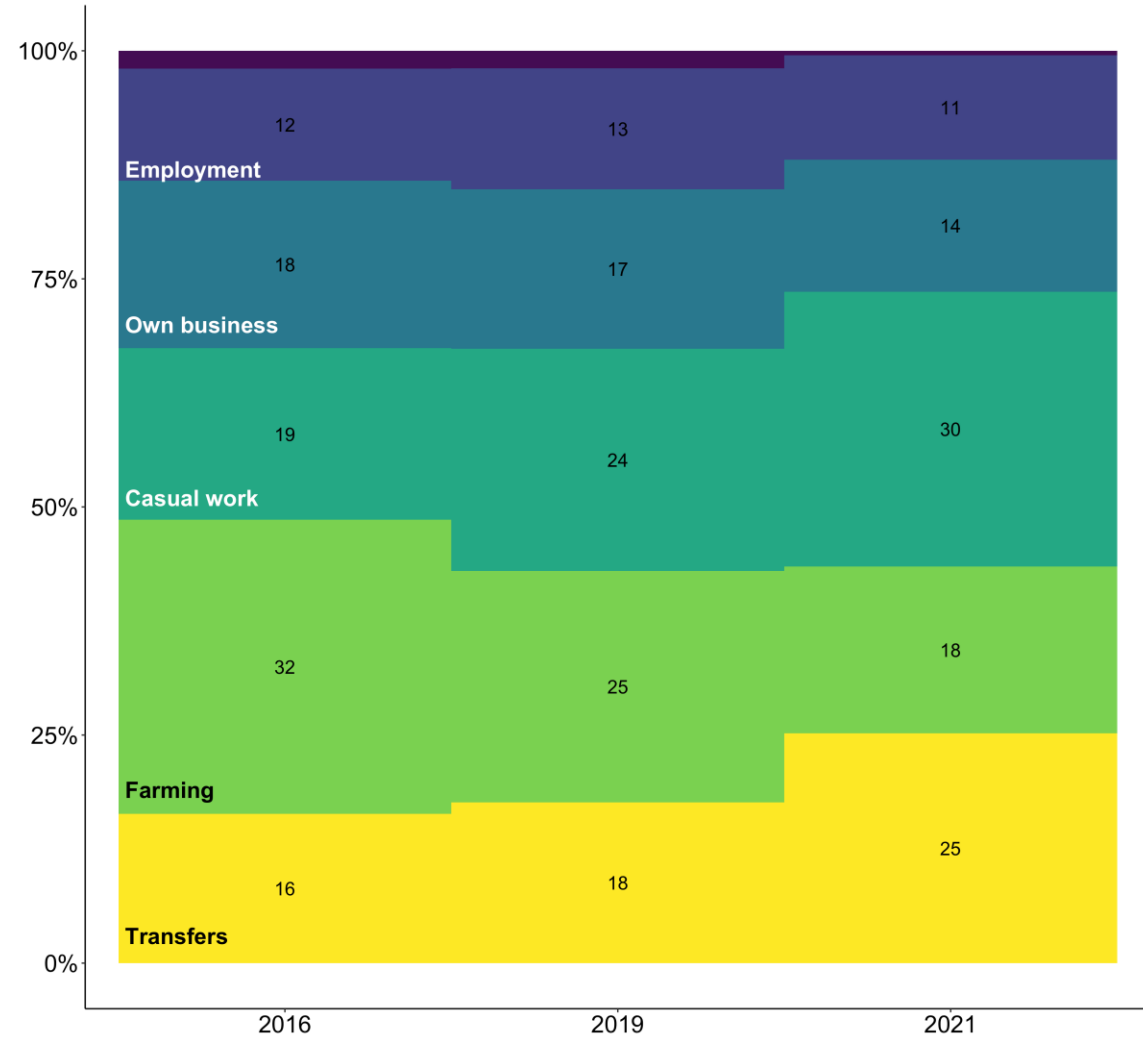
Household wealth group



Earnings from formal employment and businesses have diminished

Between 2016 and 2021, casual work replaced farming as the largest source of income among adults

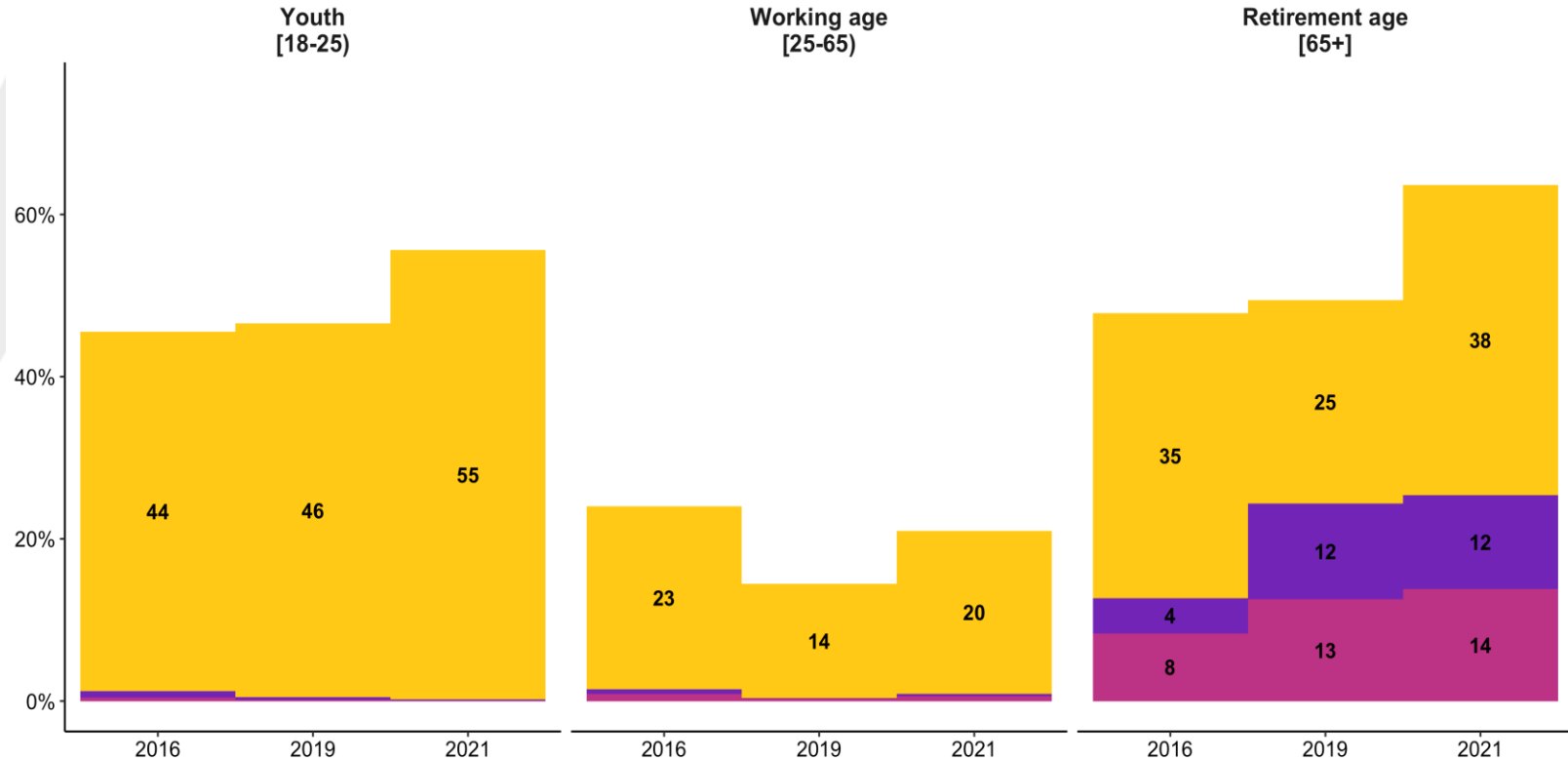
Adults by their main source of income (% 18+)



Pressure on remittances during COVID-19 placed additional financial demands on working adults

Adults (% 18+) receiving transfer income, by source and age group:

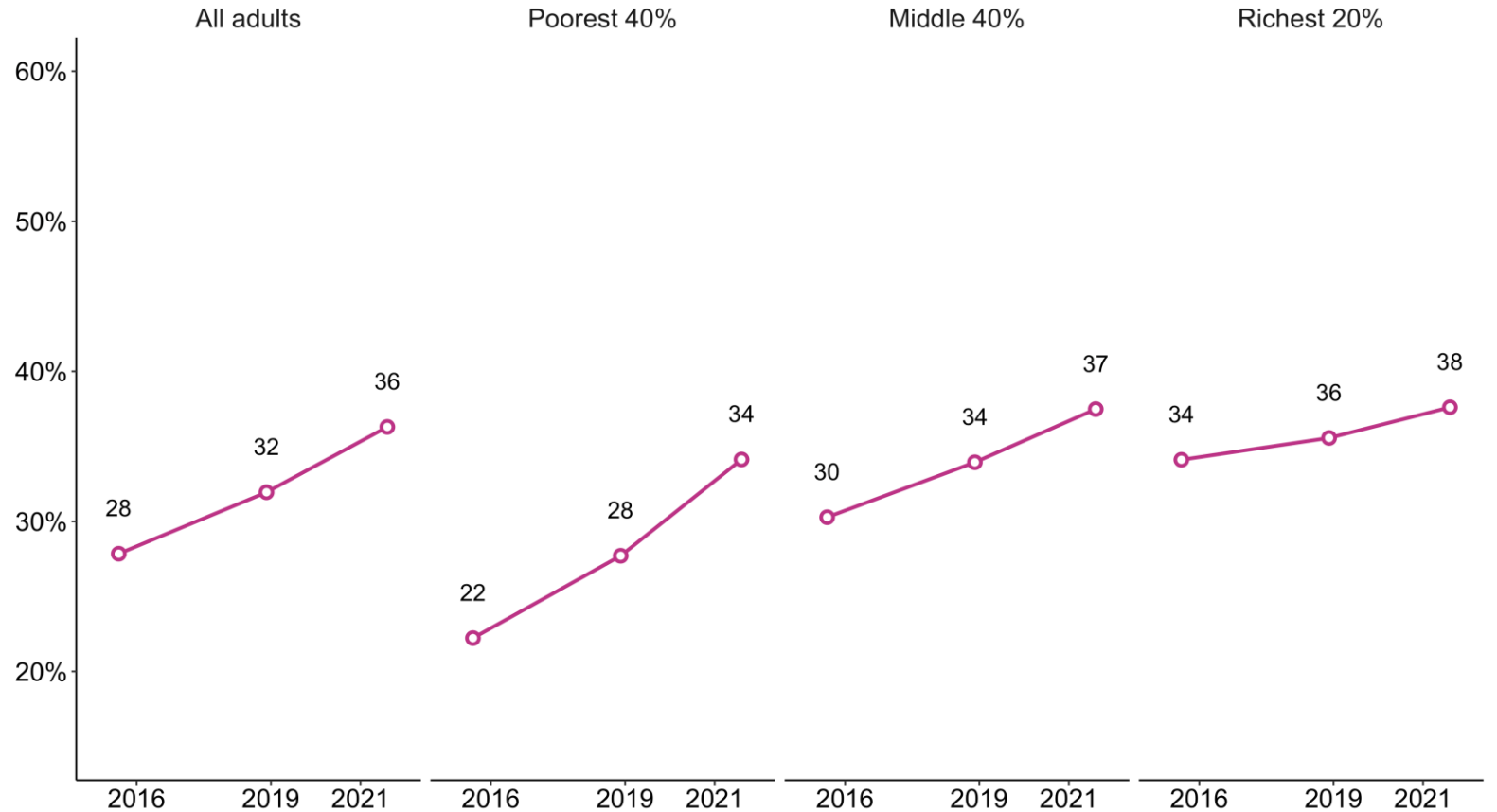
Social only (Family or friends) / Institutional only (Government, NGOs, Pension) / Both



Source: Author's calculations using FinAccess surveys.

Increased investments in education have also put pressure on household budgets

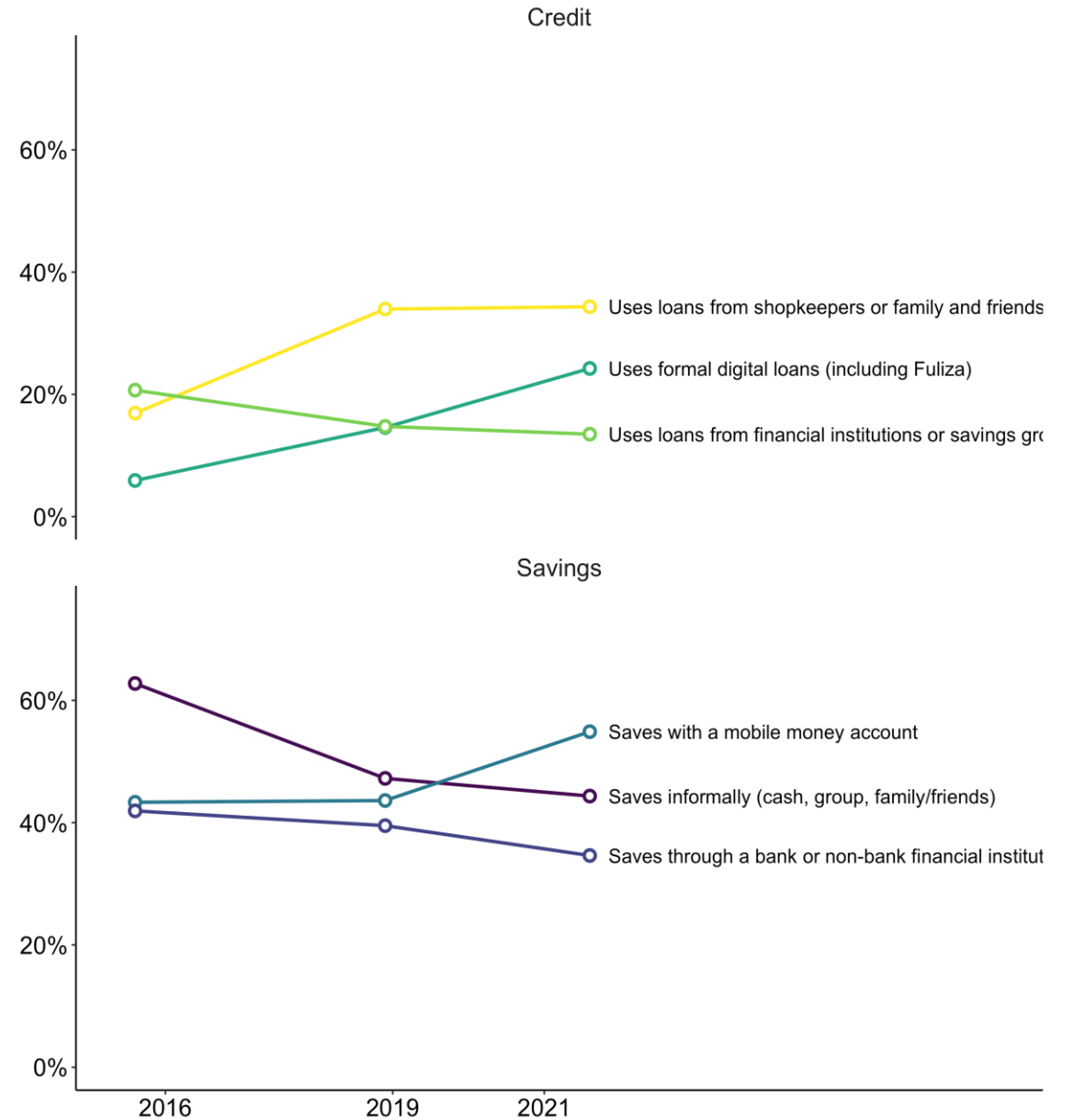
Adults (% 18+) that use their savings or loans for **education**



Source: Author's calculations from FinAccess surveys

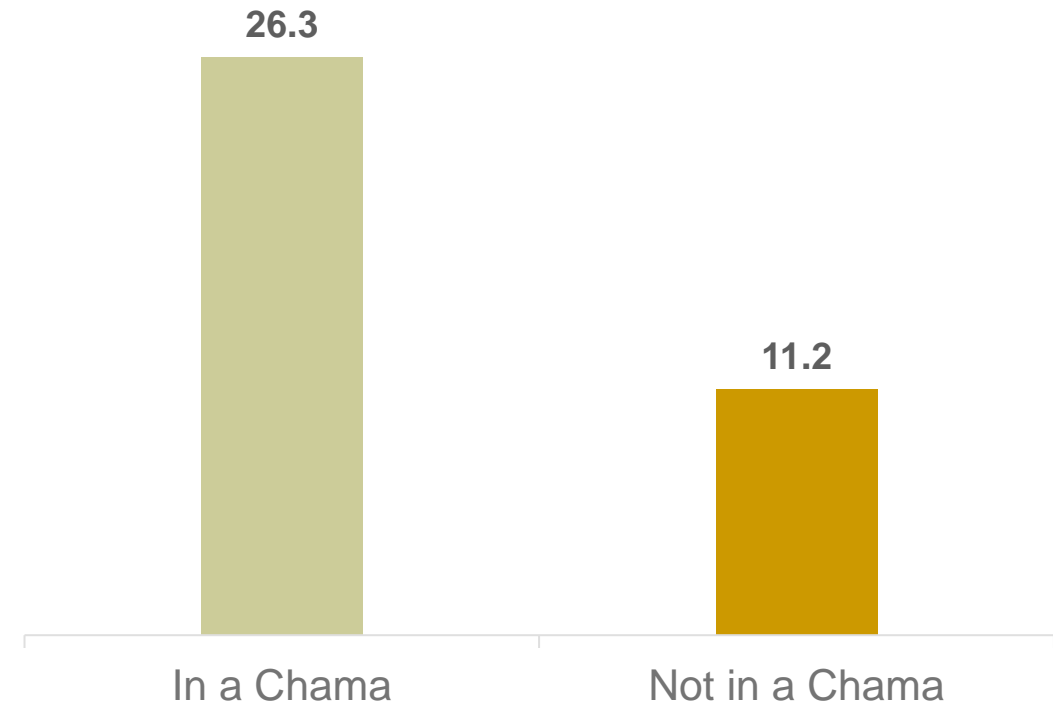
Reduced liquidity across household budgets has led to increased use of ‘easy access’ products like shopkeeper credit, digital loans and mobile wallet savings

% of adults (18+) using credit/savings by provider

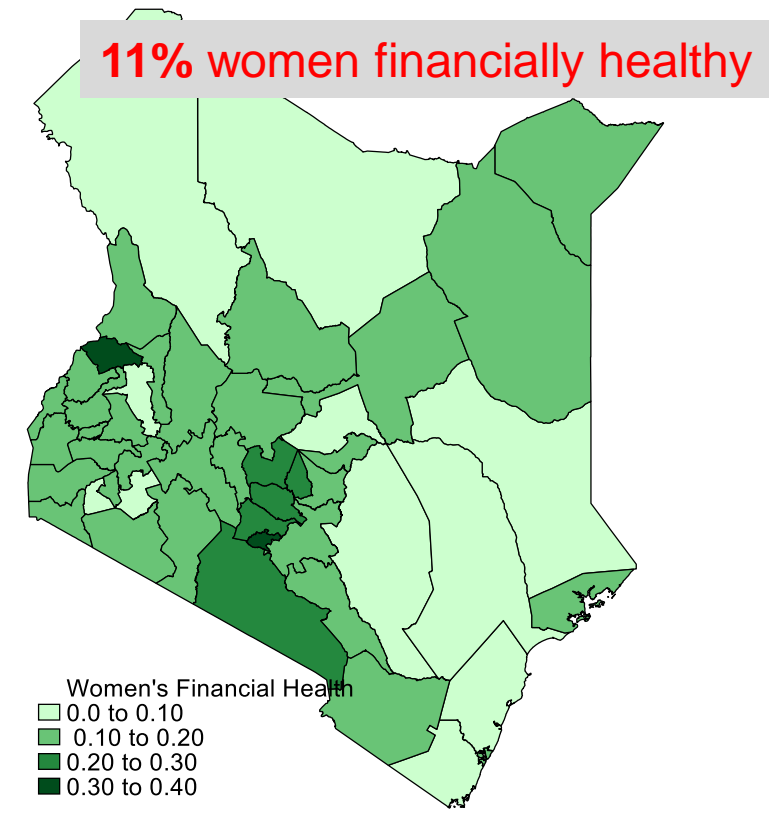
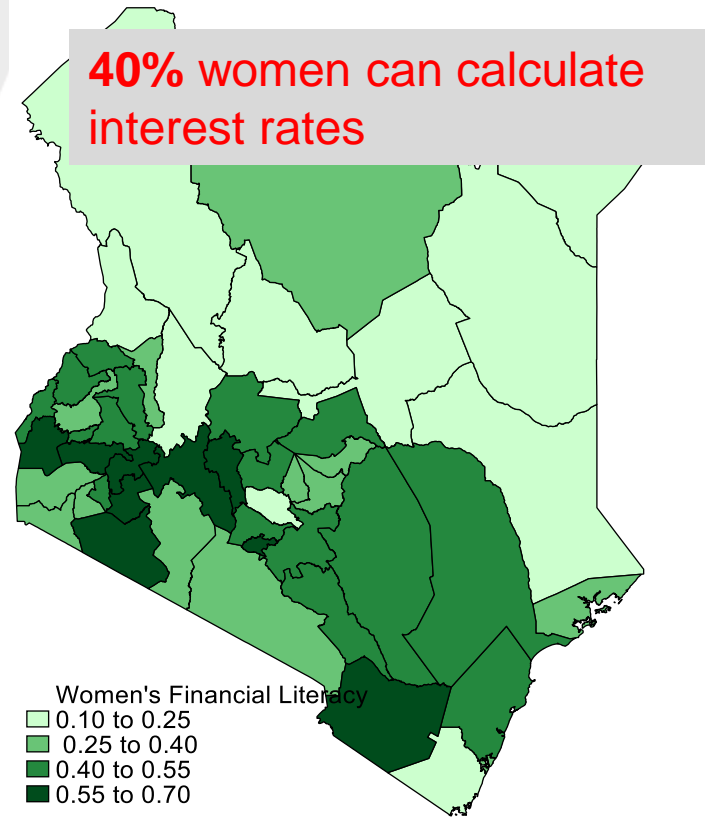
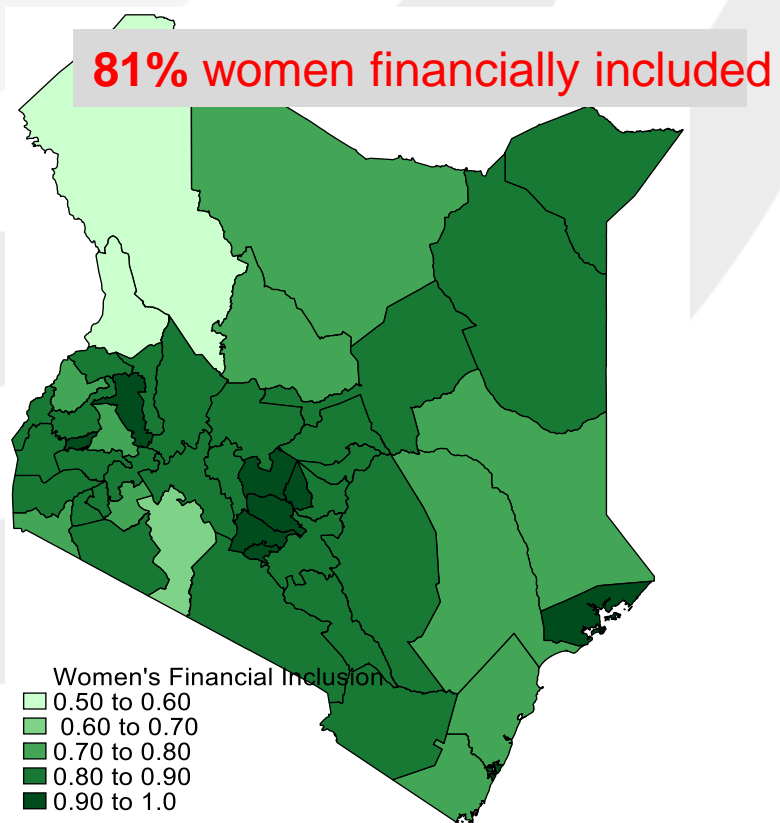


Use of ‘traditional’ financial institutions such as banks, informal groups (chamas) and SACCOs has reduced; but these institutions often support better outcomes for financial health and build financial capabilities

% of Women Who are Financially Healthy 2021



Kenyan women: substantial heterogeneity in relationships between financial literacy, financial inclusion and financial health



Potential avenues for improving women's financial capability?

Drivers of financial inclusion and financial health for Kenyan women

	Financial Health	Financial Inclusion
Social Capital	0.108***	-0.0027
Mobile Phone	0.0529***	0.343***
Business	0.0475***	0.0435***
Decision making	0.0185***	0.0195***
Fin Lit (transaction)	0.0253***	0.0352***
Fin Lit (interest rate)	0.0185***	0.0019

In Conclusion...

- **Rapid rise in use of digital finance; but decline in financial health**
- **Digital finance has supported survival** in an ‘economy of desperation’
- **But how can digital finance support accumulation and growth?**
- **Build financial capability:** e.g. Kenyan women- leveraging digital technology and mutual finance to support financial capability and financial health....
- **Catalyse Inclusive growth:** Leveraging finance at **micro, meso and macro** levels to support economic resilience and inclusive growth (e.g. social security; investing in enabling environment for MSEs and farmers etc.)



**EUROPEAN
MICROFINANCE WEEK**
connecting the inclusive finance world

THANK YOU!



Understanding Financial Education and Financial Health: Experience from Opportunity International

Lydia Baffour Awuah, Opportunity International
18th November 2022

Opportunity International- Who We Are?



Women



Youth



Refugees



People with
Disabilities



Smallholder
Farmers

Opportunity International



Why Financial Education?

Money + Knowledge = Empowerment

- Access to capital opens new opportunities

BUT...

- Without training including Financial Education, women interviewed would not have been prepared to fully capitalise on those opportunities.

Bridging the Gap (Information the missing Link ?)

- Financial Access
(Availability , uptake & usage of diverse products & services)
- *Trapped- Wasteful expenditure, Irregular savings etc*



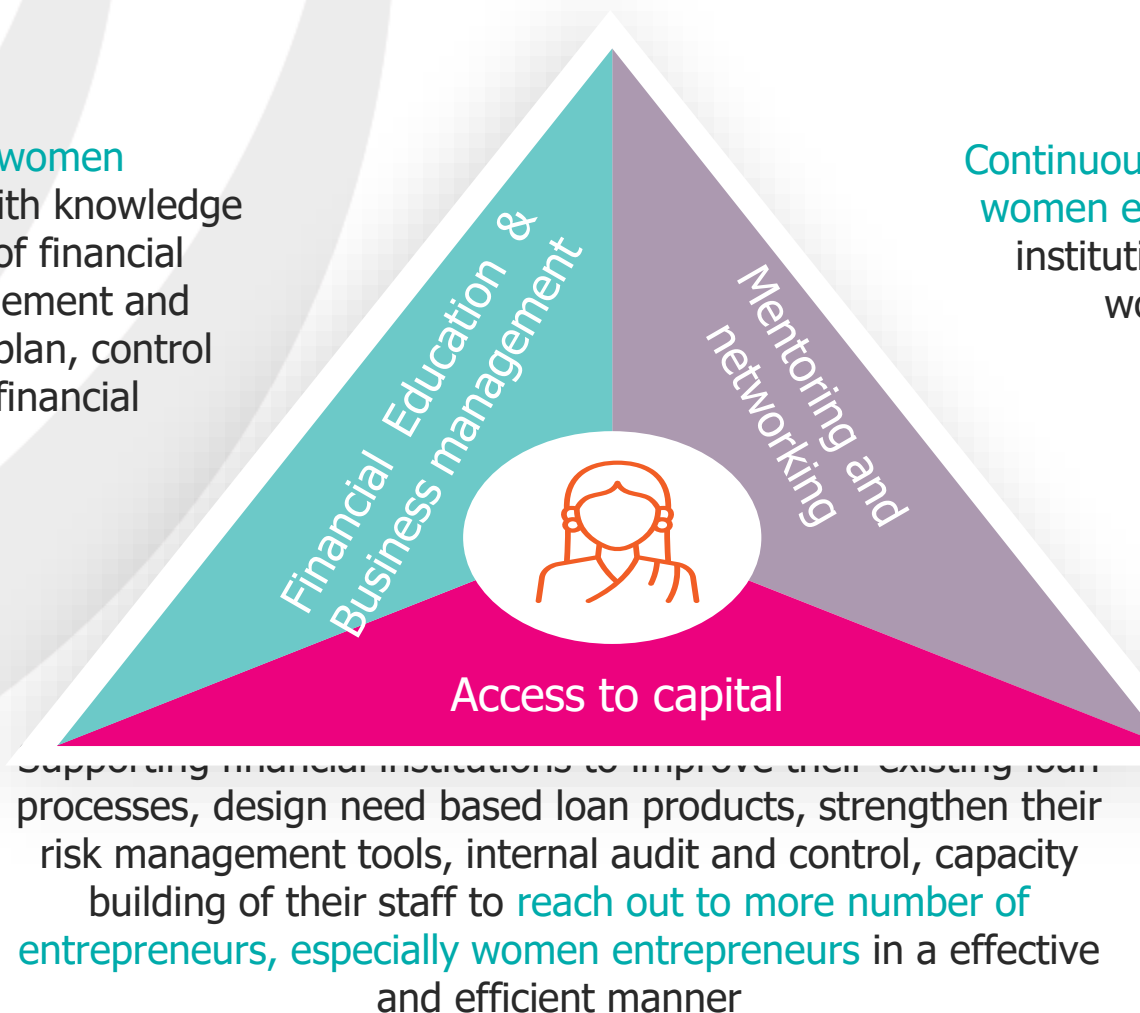
More Income & Business Success

Empower them to make INFORMED, CONFIDENT & TIMELY decision about their MONEY that fits the circumstances of their lives.

Financial Education: Getting the Formulae Right for Effectiveness

Building the capacities of women entrepreneurs will equip them with knowledge and skills on basic principles of financial planning and business management and ensuring that they are able to plan, control and analyze business and financial information.

Continuous mentoring and networking support to women entrepreneurs through partner financial institutions with the help of internal events, workshops, knowledge collaterals



...“Credit is like being giving a gun – if you don’t know how to use it, you could shoot yourself.”
Opportunity Ghana client

Channels of Delivery



Print

Comic and suite of interactive tools & resources



Multi-media

TV Soap opera e.g Uganda ; Tablet/Mobile phone; reminders , prompts etc

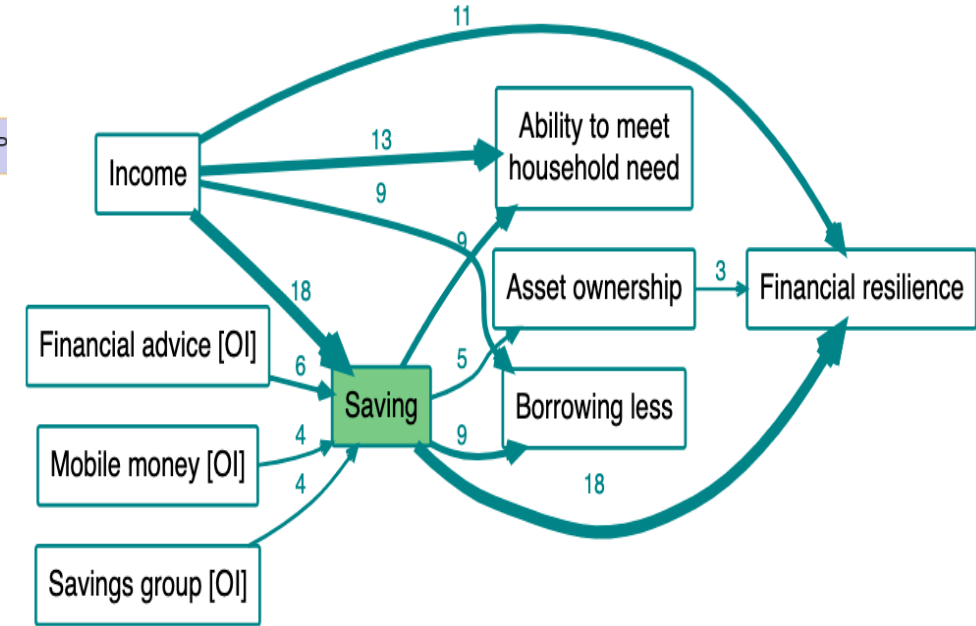
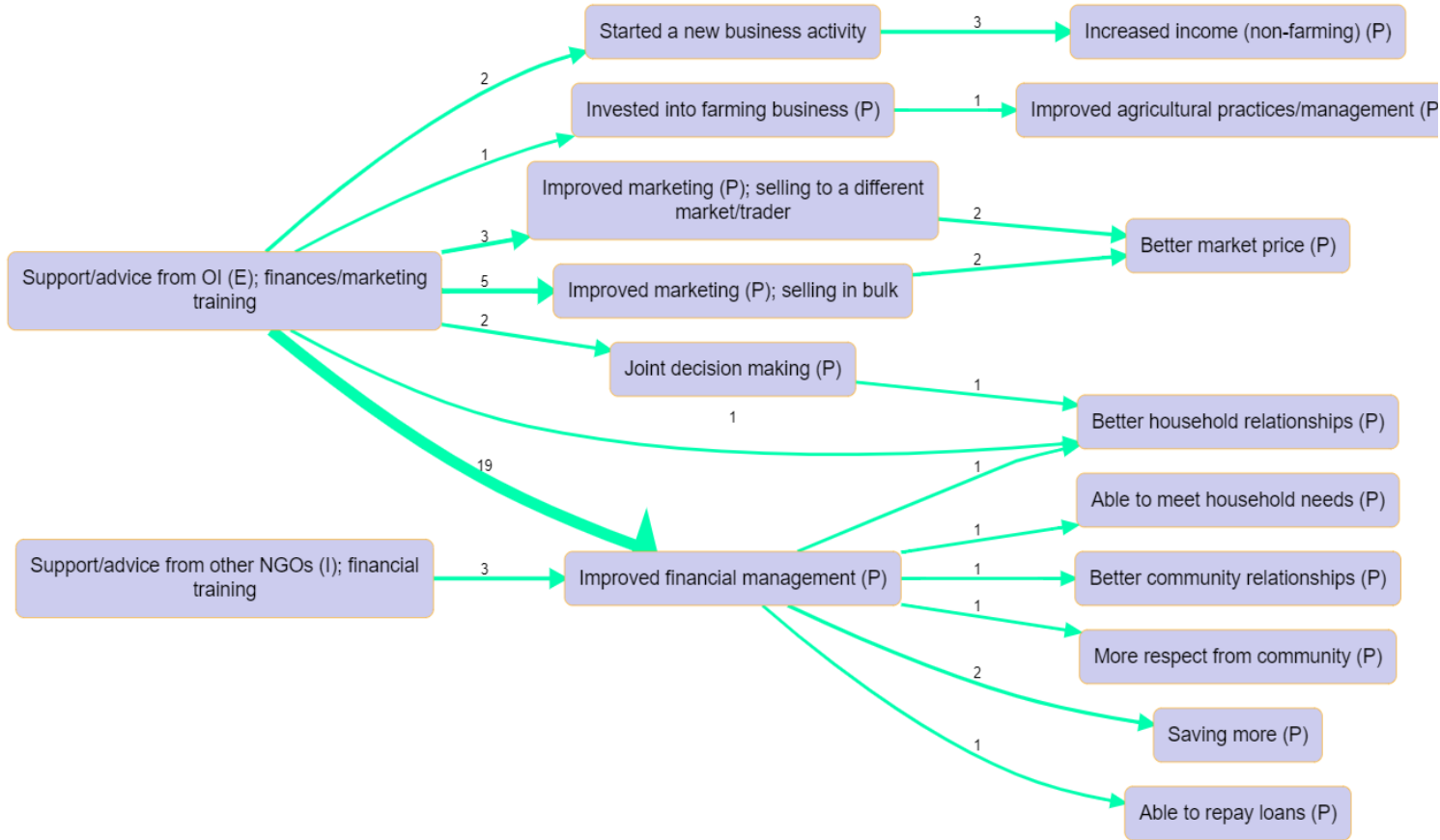


In-Person – roadshows , Individual coaching , group – based ,

stories, stimulating exercises, case studies/situational analysis



Is there a causal relationship between financial education and financial health?



"Having these new budgeting skills has empowered me. I am able to set aside money for what I need, and I no longer sell at a loss"

Financial literacy training causal map (OI QuIP study 2021)



OPPORTUNITY
International

Thank you


Find out more at www.opportunity.org.uk


Financial capability of low- and moderate-income users – Aspects to consider

Anup Singh
Regional Head – Africa
MSC (MicroSave Consulting)

About MSC

The world's local expert in social, financial, and economic inclusion

 MSC is a boutique consulting company that drives financial, economic, and social inclusion by partnering with participants in digital ecosystems.

 We work with our clients and partners across the globe to achieve sustainable performance improvements and unlock enduring value.



International financial, social, and economic inclusion consulting firm with **25+** years of experience



>200 staff in **9** offices around the world



Projects in **~68** developing countries

>550
clients

>1,300
publications

Assisted development of digital G2P services used by **>875** million people

Implemented **>875** DFS projects

Developed **>275** FI products and channels now used by **>55** million people

Trained **>10,500** leading FI specialists globally

COVID-19 triggered digitization has increased usage of DFS, but...

- Digital adoption is not easy for user segments that prefer cash.
- Digital payment interfaces are not designed well for the illiterate or semi-numerate.
- Users are concerned about the safety of their money.
- Failed transaction leads to users losing confidence in digital.

A case in point is Kenya, as per [FinAccess, 2021](#)

- 84% are formally included (up from 66% in 2013).
- 80% use mobile money.
- However, financial health has declined (17% of adults in 2021 feel they were financially healthy than 39% in 2016).
- Digital financial inclusion does not equate to financial health.

Financial education can better poor uptake and usage by increasing knowledge, skills, and attitudes

- 50% of the world's population is offline – most are women who are 1.6 times more likely than men to cite lack of know-how as a barrier to Internet use ([Why it's time to prioritize digital literacy](#)).
- However, traditional interventions to improve financial education explain only 0.1% of the variance in financial behaviors ([NBER paper](#)).

Traditional financial education programs lecturing the poor on how they should save are patronizing at best and are usually irrelevant.



Traditional financial education programs face many challenges

- Lack of objectivity in program design (what we want to achieve from it).
- Lack of intelligent content (with very generic content, it fails on call to action).
- Limited role of providers who fail to see the business sense of financial education.
- Limited opportunities to respond and use products and services.
- Lack of differentiation in types of interventions.
- Conflict of interest and failure to accept mistakes.
- Lack of systematic evaluation of what works and why.

What have we learned in supporting financial capability for low- and moderate-income users?

- Traditional financial education programs ignore digital financial capability and (at best) only achieve changes in the knowledge and skills of users. These do not necessarily change financial behavior.
- Customers' behavior won't change without the active engagement of financial services providers (FSPs) in the appropriate design and communication of DFS products/services.
- Financial education must be part of FSPs' marketing strategy – designed from the outset to encourage uptake and usage.
- Providing clear, concise, impartial information in the consumer's language and a chance to experiment works better than traditional financial education approaches and can change users' financial behavior.
- For impact, we need a strategic shift to experiential, product-focused approaches.

Designing effective financial capability programs, aspects to consider

Program design

- Clear objectives expanded by a theory of change
- Focus on pooling existing resources and encouraging multi-stakeholder engagements and cross-learning among stakeholders
- Risk mitigation from both digital interfaces and complex product designs

Content design

- Level 1: Visceral level – I want it! It looks interesting; I would like to try it once.
- Level 2: Behavioral level – I can master it! It is so easy to use and makes me feel smart.
- Level 3: Reflective level – It completes me! I will tell my friends how I have used it.

Delivery design

- Identify the delivery channels
- Interoperability among selected channels
- Encourage collaborations with experts and on-ground partners
- Engage the target segment
- Impact assessment based on a theory of change

An effective skilling and capacity-building program must make learning easy, intuitive, and fun and involve influencers' human touch

Intuitive interactions

Learning can be fun too

Focus on change

Self-paced and self-scaled

Partnerships

Social proof and context

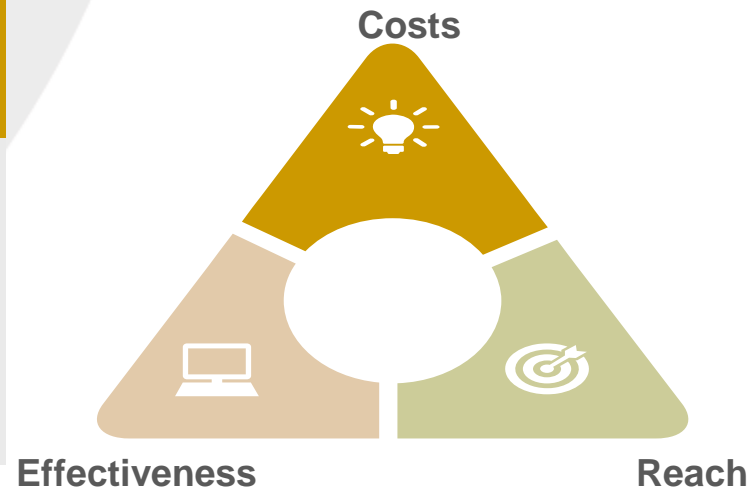
Initial handholding



Digital skilling and capacity-building programs do not balance reach and cost of delivery with effectiveness

In-person skilling program

- In-person skilling program is high in effectiveness however, the costs are comparatively high, and it is not hugely scalable

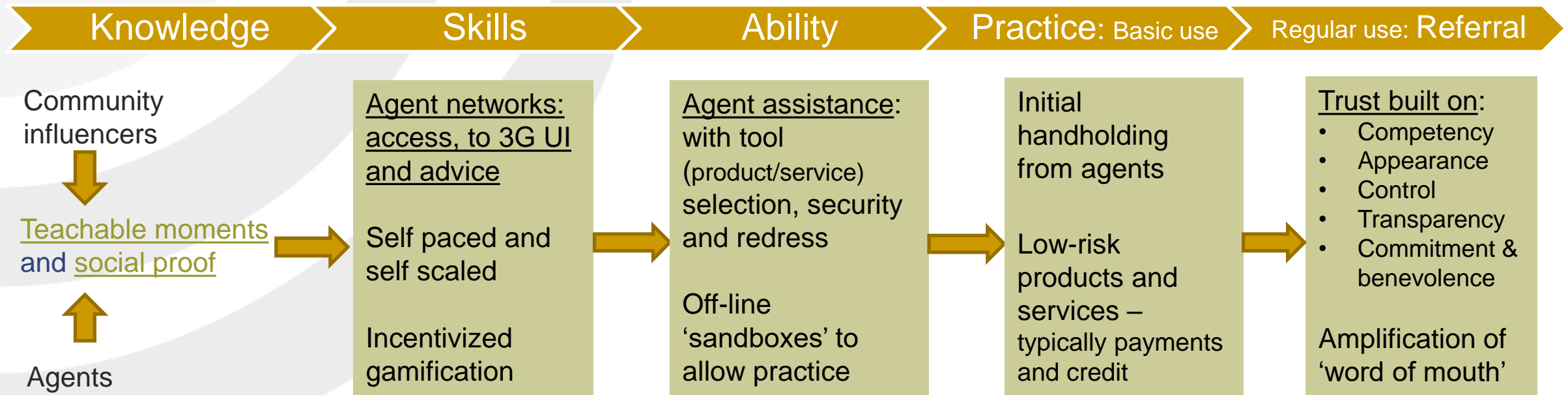


Digital skilling program

- Digital skilling program uses digital means to enhance skills and capacities of the learners
- Digital is high on value for money, is highly scalable, can provide intuitive content, however, it has limited effectiveness and impact and can provide limited content

Source: MSC, Sconti (2022)

Incentivizing agents and opinion influencers to assist is key



Intuitive user interface designed for oral people, reflecting the mental models used by the mass market.

An expanded range of intuitive tools addressing real and relevant use cases.

Digital platforms to support and nurture digital financial capability.



Thanks!

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