

Training of trainers

The training of trainers event equipped loan officers with the knowledge and skills they needed to immediately start training and counseling clients on financial education issues (See Box 2 for an agenda overview).

BOX 2: TRAINING OF TRAINER WORKSHOP AGENDA

- Day one:** Adult learning principles, context for financial education
- Day two:** Smart borrowing, loan types, interest rates, debt capacity, delinquency
- Day three:** Default, effective debt management, reviewing the “Debt Management” module
- Day four:** Individual counseling (using the AMELA model)
- Day five:** Project monitoring and evaluation, marketing financial education services

Importantly, MFC’s TOT uses a “learning by doing” approach — running actual training and counseling sessions in real time to allow loan officers to get to grips with the content and practice their facilitation technique.

Once the training of trainers is complete, the level of resources needed to deliver financial education can vary, depending on the approach. See Box 3 for indicative costs.

BOX 3: RESOURCES NEEDED TO DELIVER FINANCIAL EDUCATION

Training of trainers:

Preparation: 4 days (logistics and materials)
Delivery: 4-5 days, depending on the level of experience of the organization
Scope: Training up to 20 trainers

Client training workshops:

Preparation: 1 day
Delivery: 4.5 hours (in a series of shorter sessions if needed)
Scope: Groups of 10-20 clients
Cost: €25 per client, including materials and refreshments.

Individual client counseling:

Preparation: 10 minutes per session
Delivery: 40 minutes of staff and client time
Cost: Staff time, printing exercise sheets

ADVICE FOR OTHER ORGANISATIONS

Based on their experience, project partners offer a few key points of advice for other development organizations. These are:

- Trainers need to practice communicating complicated concepts to clients in plain, clear language. To support this, trainers should be confident in public speaking.

- Always give practical, concrete examples to support key ideas.
- In group trainings, bring together clients that are similar (age, business type, etc.) to ensure that the discussion will be formed around common experiences.



MAKING CENTS WITH FINANCIAL EDUCATION IN ROMANIA

Microfinance Centre

www.mfc.org.pl

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INTRODUCTION

In early January 2012, the Microfinance Centre¹, in collaboration with Vitas (formerly Express Finance), launched a six-month project to improve the financial capability of low-income households in Romania.

Despite a high rate of growth since its transition to a market-led economy², individual financial capability in Romania remains stubbornly low. A historical lack of access to capital, coupled with the absence of public financial education, has left the population without the skills required to make informed and effective decisions about their finances. This gap became especially critical over the last decade, as financial markets became more complex, and cheap sources of credit were not only increasingly available, but aggressively marketed. As a result, Romania boasts one of the highest default rates within the European Union today.

Within this context, the Microfinance Centre (MFC) designed and delivered an initiative to develop the capacity of Romanian microfinance institutions (MFIs) to build the financial management skills of low-income households. The program was based on two of MFC’s core training curricula:³

- **Debt management:** Helps low-income clients understand the benefits and risks of borrowing, how to use credit responsibly, and to prevent/manage over-indebtedness.

- **Financial counseling (AMELA):** Equips MFI staff to deliver individual counseling to clients to help them build awareness, knowledge and skills around the issue of personal money management and broad use of financial services.

The program targeted 6 microfinance providers, training a total of 30 in-house staff to deliver financial education training and individual counseling to clients. Each trainer committed to reaching 15 clients within one month of the training of trainers (TOT) workshop, and to follow-up with clients within 3-4 months’ time to understand whether the training or counseling had made a difference. Project targets and results are listed in Table 1.

Table 1: Project targets and results

AREA	TARGET	RESULT
Trainers	20	30
Partner MFI’s	5	6
Client outreach	200	461

This brief has been written for other regional institutions (financial providers and development NGOs) interested in offering financial education services. It highlights key benefits emerging for clients and project partners, and describes the institutional requirements for getting a financial education program off the ground.

WHAT IS FINANCIAL EDUCATION?

Financial education allows development organizations to build clients’ knowledge and across a range of themes, including smart borrowing, household budgeting, avoiding delinquency and the importance of savings. These themes can be delivered either through training workshops (long events, or a series

¹ The Microfinance Centre is a regional network for Europe and Central Asia with headquarters in Poland. For more information, visit www.mfc.org.pl.
² Annual GDP growth rates reached as high as 8.3 per cent before the global economic crisis of 2008 (IMF World Economic Outlook Database, April 2013).
³ Since 2004, the MFC has delivered financial education campaigns and capacity building across the Europe and Central Asia region, using a series of training modules on savings and budgeting, debt management, and remittances. These modules have been delivered to a total of 200 000 low-income clients in 19 countries across the region. For more information on the financial education program and available financial education toolkits please see www.mfc.org.pl/en/content/modules

of shorter ones), or through one-on-one counselling sessions with individual clients, depending on the institution's needs and capacity. The key skill sets taught using these tools are listed in Box 1.

BOX 1: FINANCIAL EDUCATION THEMES

Loans: Definitions, good reasons for borrowing, rules for borrowing, types of loans, indirect and direct costs, loan comparison

Budgeting: Loan repayment capacity calculation, preparing a loan repayment calendar, setting short- and long-term financial goals

Delinquency: danger of and causes for delinquency, over-indebtedness and default, consequences, role of credit bureau, controlling debt

Savings: Importance of savings, creating an "emergency fund", different savings options, creating savings goals.

TARGET CLIENTS

The project effectively reached its target audience, and in greater numbers than anticipated. In total, the project reached out to 461 low-income clients in total; 201 clients received training, and 260 received counseling. Key outreach demographics are as follows:

- Average per capita income: 774 RON/174 EUR (compared to a minimum wage of 700 RON)
- 68% of participants were in low-paid permanent jobs, 19% were micro-entrepreneurs
- 48% of participants frequently or occasionally experienced cash-flow shortages
- 92% were able to do simple calculations
- 52% of participants were women, and the average age was 41 years

MFC's financial education approach is designed to benefit low-income clients and potential clients

Benefits for clients

MFC's financial education approach is designed to benefit clients in a number of ways. Firstly, it helps them *before* they take on debt — understanding "smart" use of debt to achieve personal financial goals, understanding loan terms, and how much debt they can absorb within their household cashflow. Secondly, it helps clients to *manage existing debt* effectively — by preparing repayment calendars, and by building up a savings "safety cushion" in case of emergency. Finally, MFC's financial education approach considers *what happens when things go wrong* — building clients' awareness of the dangers of over-indebtedness, and how to access help.

"Our clients are satisfied, because until now they've never had the opportunity to learn these skills."

– **Sauca Catalin, Loan Officer (FAER IFN)**

Benefits for institutions

Financial education also delivers a number of tangible benefits to finance and development organizations, as follows:

- **Building trust:** It helps to build an important level of trust by demonstrating genuine concern for the financial success and well-being of its clients.
- **Delivering additional value:** Integrating non-financial services to deliver additional value to clients enhances an organization's reputation — a valuable asset as market competition increases and growth slows.
- **Building relationships:** Giving loan officers the opportunity to be actively involved in their clients' financial decisions (rather than just passive providers of products) also improves the staff-client relationship, which can have a positive impact on retention and satisfaction of both parties. Offering financial education to potential clients enables institutions to build solid relationships that can potentially convert into new client intake.

"Financial education training helps our loan officers understand our mission, and why we don't simply push loans on our clients."

– **Cristian Jurma, General Manager (Vitas)**

• **Managing risk:** Improved financial capacity makes clients less likely to default, reducing an institution's risk exposure when working with vulnerable client groups.

• **Aligning with best practice:** Offering financial education is increasingly seen as "good business practice", especially as client protection regulations and international standards³ increasingly come into play.

Key results for clients

Prior to the training or counseling session, loan officers surveyed clients on their current habits, attitudes and financial capabilities. In general, clients started out with good calculation skills, and appropriate attitudes towards saving and borrowing. However, actual financial habits were often weaker than attitudes, especially in the area of saving and income/expense tracking:

- 58% did not track income and expenses in written form, and 57% did not maintain a household budget
- 62% of participants had some savings, but of these roughly half perceived that they had enough to cover one month of lost income
- 72% had a loan, and 28% had more than one. 28% borrowed to repay existing loans
- Worryingly, 37% of participants spent more than 40% of their monthly income to repay debt, even though the majority felt they had the right amount of debt. 17% of participants felt over-indebted.

WHAT DOES IT TAKE TO IMPLEMENT FINANCIAL EDUCATION?

Preparation

MFC's tested methodology is both flexible and scalable. In practice, this means that training and counseling can both be used to deliver the same content, but in different ways depending on the needs and capacity of the organization.

In the case of Romania, minimal adaptation of the case studies was required to ensure they resonated with a the target audience (microentrepreneurs); changes to the text primarily focused on changing references to currency and adjusting relative prices. Adaptation also focused on adding details around local regulations (such as foreclosure procedures, credit bureau and national bank credit register).

In total, Vitas spent 22 days preparing for the

A repeat survey 3-4 months' time provided an insight into client-level changes (see Table 2). The most notable change was around calculating loan repayment capacity. Prior to the training, nearly 73% of clients stated that they calculated their repayment capacity when taking a loan. During the training, however, clients learned how to complete a detailed assessment, taking into consideration of income and expenses. After the training, only 50% of clients affirmed that they had estimated their debt capacity effectively in the past, suggesting that they relied on approximate "rules of thumb" instead. In follow-up interviews, 97% of clients stated that they had already applied this new skill, or that they were planning to do so in future.

Table 2: Changes in financial attitudes and practice

TRAINING AREA	BEFORE	AFTER
Calculating repayment capacity	50%	97%
Using a repayment calendar	51%	92%
Comparing credit offers	72%	90%

Overall, 90% of clients trained, and 91% of clients counseled, applied their new skills. Education around creating an emergency fund and creating repayment calendars were seen as most useful by clients. Clients indicated that they would also like to learn more about savings products and business investment in future.

Table 3: Preparing for the TOT

ITEM	TIME
Logistics and venue selection	2 days
Translating the training materials	5 days
Adapting the training materials to Romanian context	7 days
Advertising the project to potential partners	5 days
Preparing workshop materials	3 days

training of trainers workshop (see Table 3). However, over half of this time should be seen as the one-off "investment cost" of localizing the materials (translation, adaptation), such that future TOT delivery (by Vitas or other development organizations) could be achieved in half the time.

⁴ See www.smartcampaign.org and www.sptf.info