

## 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.

## Ongoing implementation

In the months since the initial project, both partners have continued to deliver financial education to clients. In the case of the Regional Economic Development Center, they have included financial education as a service available in their free weekly “drop-in” counseling appointments.

Mikrofond has delivered both additional training and counseling to its clients, but tends to rely more on the latter, given the lower costs and its own

capacity to stage formal trainings. In particular, it delivers counseling to all clients who apply for new consumer loans, as it feels they generally have less financial knowledge than their business loan customers. They find it easy to convince clients that they need counseling, as most have had bad experiences with consumer lending companies. With access to the Central Bank Registry files, Mikrofond is also able to show new clients their credit history, which gives clients an incentive to improve their behavior and clean their record. See Box 3 for a list of institutional requirements for delivering financial education.

### 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

Full workshop delivery: 4.5 hours in total (can be split into 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 (printing, planning)

Delivery: 15-60 minutes of staff and client time, 30 minutes per client on average

Cost: Staff time, printing exercise sheets

## ADVICE FOR OTHER ORGANISATIONS

For project partners, delivering financial education has generated a number of key insights they would like to share with other organizations interested in doing the same. These are:

- **Take a long-term view:** Counseling should be seen as an on-going process. During each session, clients learn one new skill, and should be given the opportunity to put them into practice before moving on to the next skill.

- **Tailor financial education to the client’s needs:** Topics covered through training or counseling should respond to needs identified by loan officers in the course of their daily interaction with clients, or by management in response to performance trends (e.g. an increase in defaults).

Learn more about the work of project partners:

Microfinance Centre: [www.mfc.org.pl](http://www.mfc.org.pl)  
Mikrofond: [www.mikrofond.bg](http://www.mikrofond.bg)  
REDC-Sliven: [www.redc-sliven.org](http://www.redc-sliven.org)

# MAKING CENTS WITH FINANCIAL EDUCATION IN BULGARIA

Microfinance Centre

[www.mfc.org.pl](http://www.mfc.org.pl)

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## INTRODUCTION

In early January 2012, the Microfinance Centre<sup>2</sup>, in collaboration with Mikrofond AD, launched a six-month project to improve the financial capability of low-income households in Bulgaria.

The need for financial education in Bulgaria is acute. Despite the growth and progress seen since the transition from a centrally-planned economy, individual financial capability remains low. This is the legacy of the Soviet era, when the state-provided incomes were stable (if low), and opportunities for consumption and/or investment were scarce. Since that time — both financial risks and responsibilities have been transferred from the state to the individual, and financial markets are increasing in complexity at an unparalleled rate. More worryingly, the rise of aggressive consumer lending companies (charging between 200-1,000% APR) is leading to budget distortions for small enterprises and people on low incomes.

Within this context, the Citi Foundation-funded “Financial Education Project” was designed to equip local financial and service providers with the capacity to train low-income microfinance clients (both potential and current) to take charge of their own financial lives. The program was based on two of MFC’s core training curricula:<sup>3</sup>

- **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 use of financial services.

Twenty-four staff participated in the training of trainers (TOT) event — 20 Mikrofond loan officers, 3 members of Mikrofond’s management team, and 1 representative from a local development NGO (the Regional Economic Development Centre -Sliven). Over the course of the 5-day TOT, participants learned how to deliver financial education training and individual counseling to clients. Each trainer committed to reaching 10 clients within one month of the TOT, and to follow-up with clients within 3-4 months’ time to understand whether the training or counseling had made a difference in their lives. Project targets and results are listed in Table 1.

Table 1: Project targets and results

AREA	TARGET	RESULT
Trainers	20	24
Client	200	361

This brief has been written for other regional institutions (microfinance providers, credit unions and development NGOs) interested in offering financial education services. It highlights key benefits emerging for clients and project partners. The case also 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

<sup>1</sup> The author is grateful for the time and input of Georgi Breskovski, Ekaterina Shishkova, Emilia Chobanova, Evgenia Garneva, Evlogi Ivanov, Iliana Balkandzhieva, Krassimir Totev, Margarita Donkova, Mariana Miteva, Raina Timcheva, Svetlana Lilova and Tinka Todorova, Julieta Nikolova, and Vesselina Kostadinova.

<sup>2</sup> The Microfinance Centre is a regional network for Europe and Central Asia with headquarters in Poland. For more information, visit [www.mfc.org.pl](http://www.mfc.org.pl).

<sup>3</sup> 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](http://www.mfc.org.pl/en/content/modules)

savings. In terms of the content, these themes can be delivered either through training workshops (long events, or a series of shorter ones), or through one-on-one counselling sessions with individual clients, depending on the institution's needs and capacity. See Box 1 for key skill sets taught.

#### BOX 1: FINANCIAL EDUCATION THEMES

- Loans:** Definitions, rules for borrowing, types of loans, indirect and direct costs, loan comparison
- Budgeting:** Loan repayment capacity and calendar, setting short- and long-term financial goals
- Delinquency:** Danger of and causes for delinquency, over-indebtedness, role of credit bureau
- 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 engaged with 361 low-income individuals (half of whom were current clients); 167 people received training, and 194 received counseling. In detail:

- Average per capita income: 430 lev (compared to an average national salary of 750 lev)
- 73% of participants were in low-paid permanent jobs, 14% were involved in agriculture, and 14% were micro-entrepreneurs

- 34% of participants frequently or occasionally experienced cash-flow shortages to cover basic expenses such as food, medicine and fuel
- 56% of participants were women, and the average age was 42 years

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

#### BENEFITS OF FINANCIAL EDUCATION

##### Benefits for clients

MFC's financial education training and counseling is designed to benefit clients in a number of important ways. Firstly, it helps them before they take on new debt — understanding "smart" use of debt to achieve their personal financial goals, understanding loan terms and conditions, and how much debt they can absorb within their current and potential household cashflows. Secondly, it helps clients to manage existing debt effectively — by preparing and managing repayment calendars,

**"Our clients are thankful, because the training and counseling means that they do not fall into arrears."**

**- R Timcheva, Loan Officer (Mikrofond)** ”

and by building up a savings "safety cushion" in case of emergency (such as illness or loss of business assets). Finally, MFC's financial education approach considers what happens when things go wrong — building clients' awareness of the dangers of over-indebtedness, and teaching them how to access help in case they struggle with their repayments.

##### Benefits for institutions

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

- **Building trust:** It helps to build trust by demonstrating genuine concern for clients' financial success and well-being.
- **Delivering additional value:** Integrating non-financial services to clients enhances an organization's reputation — a valuable asset as market competition increases.
- **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 (rather than current) clients enables institutions to build solid relationships that can convert into new client intake.
- **Managing risk:** Improved financial capacity makes clients less likely to default, reducing an institution's risk exposure when working with vulnerable client groups. Mikrofond has seen its portfolio at risk (PAR) drop by 30% since it started delivering financial education.

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- **Aligning with best practice:** Offering financial education is increasingly seen as "good business practice", especially as client protection regulations and international standards<sup>4</sup> 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:

- 60% did not track income and expenses in written form, and 42% did not maintain a household budget
- 42% did not save (although 65% perceived that they had enough money to cover one month of lost income)
- 65% had outstanding loans, and 33% had more than one. 12% borrowed to repay existing loans
- Households spent 10-20% of monthly income on debt, and 10% felt over-indebted.

A repeat survey with a sample of clients in 3-4 months' time gave Mikrofond an insight into client-level changes (see Table 2). Perhaps the most notable change in client knowledge and behavior

#### WHAT DOES IT TAKE TO IMPLEMENT FINANCIAL EDUCATION?

##### Preparation

MFC's tested methodology for financial education training is both flexible and scalable. 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 Bulgaria, minimal adaptation of the case studies was required; changes to the text primarily focused on changing references to currency and adjusting relative prices.

In total, Mikrofond spent 11 days preparing for the training of trainers workshop (see Table 3). However, over half of this time should be seen as the one-off "investment cost" of localizing

<sup>4</sup> ref on smart and USSPM

as a result of receiving financial education was around calculating loan repayment capacity. Prior to the training, 96% 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. Consequently, after the training, only 19% of clients affirmed that they had actually estimated their debt capacity effectively in the past, suggesting that they instead relied on approximate "rules of thumb" instead. When loan officers conducted follow-up interviews with clients, 78% stated that they had already applied this new skill, or that they were planning to do so in future.

Overall, 75% of clients trained, and nearly 70% of clients counseled, applied their new financial management skills in the months following the training. Education around calculating repayment capacity and creating repayment calendars were perceived as most useful by clients. A full 100% of clients trained responded that they had already compared credit offers, or intended to in future.

**Table 2: Changes in financial attitudes and practice**

TRAINING AREA	BEFORE	AFTER
Calculating repayment capacity	19%	78%
Using a repayment calendar	11%	71%
Comparing credit offers	77%	100%

the materials (translation, adaptation), such that future TOT delivery (by Mikrofond or other organizations) could be achieved in half the time.

**Table 3: Preparing for the TOT**

ITEM	TIME
Logistics and venue selection	3 days
Translating the training materials	5 days
Adapting the training materials to Bulgarian context	1 day
Advertising the project to potential partners	1 day
Preparing workshop materials	1 day