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Introduction and Research Framework

Many financial services providers want to help improve their clients' financial knowledge, skills, attitudes, and behaviors. There is a question, however, of how providers sustainably integrate financial capability interventions into their core business. This brief provides a range of examples of how financial institutions have answered this question.

Financial services providers pursue the goal of financial capability for two reasons. Most immediately, providers see financially capable customers as being more active users of their financial products. Beyond this, with increased financial capability, clients can make use of a range of financial products with the ultimate goal of improving their lives. While the value of financial capability is recognized, there is still a question of how financial institutions make financial capability interventions work within the constraints of their respective business models.

Financial capability interventions—focused on both personal financial management and business skills—range from small pilot efforts to large-scale interventions. Financial services providers may house their financial capability function in various departments, from marketing to product development to corporate social responsibility. While many interventions get stalled in the pilot phase or fail to scale up, some institutions have persisted, recognizing the benefits of improved capability for their clients.

In this brief, which provides examples of financial capability interventions by microfinance institutions (MFIs) in Europe and Central Asia, we focus on how institutions have made financial capability work within their constraints. We discuss the financial viability of these interventions, which has been a significant obstacle to their scale and sustained operation. We want to know how institutions solve the problem of paying for these programs and whether they succeed.

We identify strategies that financial services providers use to fund financial capability interventions. Although not all institutions are able to fully cover the costs of their financial capability interventions with revenues earned from their financial or non-financial service offerings, all of them have developed strategies to minimize these costs and cover the interventions through other funding sources.

The six strategies for financing financial capability interventions are:

1. Income from fees, services, or materials
2. Grants and subsidies
3. Absorption into marketing or corporate social responsibility budgets
4. Integration into credit processes and routine client interactions
5. Cost-sharing through partnerships
6. Use of volunteers

These strategies are instructive for other organizations interested in implementing their own financial capability programs. We anticipate that this Brief will help financial services providers optimize or operationalize financial capability interventions writ large.

Types of Financial Capability Interventions

Financial capability interventions can be classified into three main groups:

1. **Information sharing** interventions are a one-way transfer of knowledge from the provider to the client. These interventions include the distribution of printed materials, showing educational videos at institution branches, and traditional and social media campaigns. All aim to provide basic information to clients by drawing attention to certain risks and shaping behavioral attitudes.

2. **Mass education** interventions seek to improve financial capability through large-scale, in-person trainings. Typically, mass education is conducted in a traditional classroom setting for groups of clients or through e-learning online courses. The intensity of engagement from the MFI ranges from medium to high, as the delivery of trainings requires some maintenance of the pool of trainers and resources for recruitment and logistics. Institutions often invest significant time and resources into the development of curriculum and materials and training the instructors. Clients also invest time attending such trainings.

3. **Individual education** interventions are delivered in a one-on-one setting and involve mentoring, financial counseling or individual training. They can be highly customized as the educator can tailor content to the needs of the particular client. This is the most resource-intensive financial capability activity, both for the institution and the client. The educator requires significant knowledge and interpersonal skills to adjust the content and the teaching style to the needs of the client. Given the highly interactive nature of the one-on-one sessions, they also require significant attention and commitment on behalf of the client.

The differences in the investment required for each type of intervention has important implications for the cost structure of the financial capability program and overall sustainability of business operations. The individual approach is the most intensive and most costly type of financial capability intervention, both for the institution and the client. Mass education, while also costly, has the potential for cost reduction as the financial capability interventions are organized for uniform groups who face similar challenges in financial management. Information sharing can be done on a mass scale at low unit cost.

There may be a trade-off between intensity of involvement and scale of activity (see Table 1). We will consider how scale and intensity are linked to financial viability—and draw some surprising conclusions.

Table 1: Classification of Financial Capability Interventions

Type of Intervention	Specific Activities	Description	Scale	Level of Institutional Engagement	Level of Client Engagement	Cost	Level of Business Sustainability
Information Sharing	• Information disclosures • Public awareness campaigns • Printed materials • Websites • Social media • Text messaging	Broadly communicating information	Mass Market	Low	Low	Low	High

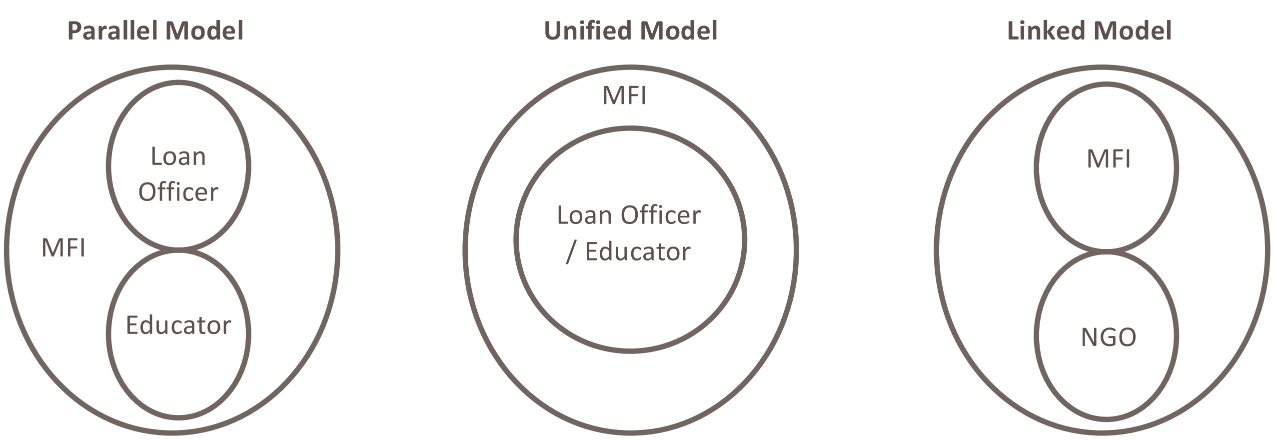
Type of Intervention	Specific Activities	Description	Scale	Level of Institutional Engagement	Level of Client Engagement	Cost	Level of Business Sustainability
Mass Education	• Classroom education • Online training	Teaching through various channels, methods	Groups and individuals	Medium / High	Medium	Medium	Medium
Individual Education	• Mentoring • Counseling • Individual training	One-on-one, tailored sessions	Individual	High	High	High	Low

Source: Adapted from Sarah Gordon, Jennifer Tescher, and Josh Sledge, *From Financial Education to Financial Capability: Opportunities for Innovation*, Center for Financial Services Innovation (CFSI), March 1, 2010, http://cfsinnovation.org/research/from-financial-education-to-financial-capability-opportunities-for-innovation/

Financial capability interventions are provided to clients using three delivery models (see Figure 1):

1. **Parallel Model:** Activities are delivered by the financial institution's dedicated staff who are not already engaged in delivering financial services
2. **Unified Model:** Activities are delivered by the financial institution's staff who also provide financial services
3. **Linked Model:** Activities are delivered by a partner institution

Figure 1: Financial Capability Delivery Models: Parallel, Unified, Linked



Source: Adapted from *Delivering Financial Education in Africa: Reach Global's Lessons Learned on Supporting the Delivery of Financial Education under the UNCDF-Youthstart Programme*, UN Capital Development Fund (UNCDF), December 2015, http://www.uncdf.org/article/895/delivering-financial-education-in-africa

Our case studies present examples of MFIs using each of these different delivery models.

Case Studies

A large number of microfinance institutions across Europe and Central Asia offer financial capability programs (see Table 2) and provide loans for income-generating activities. Some institutions focus on personal financial management, as they recognize the importance of sound financial management of the entire household budget. Other institutions focus on improving business financial management, arguing that it is critical for securing income flow and prosperity of the client. There are also MFIs that provide both personal and business financial management programs in recognition of the dual needs of their clients.

The interventions are delivered in a variety of ways: through mentoring/counseling, classroom trainings, information provision, written materials and mass media campaigns, with many institutions using several delivery channels. Some institutions deliver these interventions in the course of credit operations, while others have separate departments or sister institutions. A few institutions partner with external organizations.

Table 2: Financial Capability Interventions Among MFIs in Europe and Central Asia

<table>
<tr><th rowspan="2">Type of Financial Capability Intervention</th><th rowspan="2">Type of Financial Management Program</th><th colspan="3">Type of Delivery Model</th></tr>
<tr><th>Unified</th><th>Parallel</th><th>Linked</th></tr>
<tr><td>Information Sharing</td><td>Personal Financial Management</td><td>Borrow Wisely Campaign (implemented via a consortium of MFIs):
• Noa (Albania)
• FINCA Armenia, ECLOF, Nor Horizon, Farm Credit, Ucora (Armenia)
• Azercredit (Azerbaijan)
• EKI, Lider, Partner (Bosnia and Herzegovina)
• SIS Credit (Bulgaria)
• Adie (France)
• Crystal (Georgia)
• KEPA (Greece)
• AfK (Kosovo)
• Horizonti (Macedonia)
• MicroInvest (Moldova)
• Vitas (Romania)
• AgroInvest (Serbia, Montenegro)
• Hope (Ukraine)</td><td>• ProCredit Bank (Kosovo)
• AccessBank (Tajikistan)</td><td>N/A</td></tr>
<tr><td rowspan="2">Mass Education</td><td>Personal Financial Management</td><td>• ACF, KMF (Kazakhstan)
• Arvand, AccessBank, Bank Eskhata, FINCA Tajikistan, First Microfinance Bank Tajikistan, Humo (Tajikistan)</td><td>• Azercredit, AzeriStar, DemirBank, Finance for Development, FINCA Azerbaijan, TuranBank, Viator (Azerbaijan)
• FINCA Kyrgyzstan (Kyrgyzstan)</td><td>• XAC Bank (Mongolia)
• SKOK (Poland)
• Imon (Tajikistan)</td></tr>
<tr><td>Business/Enterprise Financial Management</td><td>• KMF (Kazakhstan)</td><td>• MicroStart (Belgium)
• Adie (France)
• Qredits (Netherlands)</td><td>• PerMicro (Italy)
• Romcom (Romania)</td></tr>
<tr><td rowspan="2">Individual Education</td><td>Personal Financial Management</td><td>• AccessBank, Arvand, Bank Eskhata, FINCA Tajikistan, First Microfinance Bank Tajikistan, Humo, Imon (Tajikistan)</td><td>N/A</td><td>• SKOK (Poland)</td></tr>
<tr><td>Business/Enterprise Financial Management</td><td>N/A</td><td>• Adie (France)
• Qredits (Netherlands)</td><td>• PerMicro (Italy)
• Erste Bank (Serbia)</td></tr>
</table>

We selected six institutions to study in depth and to illustrate the diversity of strategies that exists across the region.

Case Study 1: Adie (France)

Adie is a microfinance institution that helps people who are outside of the formal labor market/financial system start small businesses. Adie provides loans for business development and supports entrepreneurs to improve their capacity to establish and operate an enterprise. Adie engages in building the skills of the unemployed who are interested in starting their own business, especially in disadvantaged areas and among youth. The MFI also provides loans for people returning to employment.

Adie seeks to improve entrepreneurs' financial capability in several different ways based on their level of experience. For aspiring entrepreneurs, Adie organizes trainings on how to write a business plan through its *CreaJuenes* program. For entrepreneurs in the pre-startup phase, Adie provides information on how to register a firm. If an entrepreneur registers her company and receives a loan from Adie, she receives mentoring which continues throughout the loan term and can be extended after the loan is repaid.

In delivering mentoring services, Adie applies a parallel model in which a mentor provides financial capability services in parallel to the financial services delivery by the loan officer.

Additionally, Adie has developed nine three-minute videos that present the steps needed to start a business, such as customer analysis, competition analysis, strategy, sales planning and financial projections.

Case Study 2: PerMicro (Italy)

PerMicro is an Italian MFI created in 2007 to promote social inclusion and employment through the provision of microcredit. It partners with a non-governmental organization (NGO)—PerMicroLab—to deliver non-financial services to current and future entrepreneurs and to coordinate the delivery of mentoring services for PerMicro clients. This is an example of a linked model in which two organizations (an MFI and an NGO) work together to deliver both financial and non-financial services.

Mentors assist new entrepreneurs to develop their business ideas and write business plans. PerMicroLab (the NGO) prepares potential clients to apply for a loan from PerMicro (the MFI). Once the business is launched with a PerMicro loan, PerMicroLab mentors help the entrepreneurs implement a business plan, monitoring the actual cash flow in comparison to the projections and, if necessary, advise on corrective actions and setting new objectives.

Additionally, PerMicroLab runs a training program, "Up to Youth," targeted at young adults. This program combines group training with personal advice and support from mentors. Trainers offer individual support to develop participants' business ideas.

Case Study 3: Qredits (the Netherlands)

Qredits is a nonprofit microfinance institution in the Netherlands founded in 2009. Its mission is to stimulate the creation of new start-ups and to invest in existing businesses. Qredits helps current and would-be entrepreneurs make informed choices for entrepreneurship, thus increasing business opportunities and survival rates, creating opportunities for entrepreneurs to become financially and economically independent, and bridging the gap for new entrepreneurs entering the formal financial sector.

Qredits supports entrepreneurs at different stages, ranging from entrepreneurs with registered businesses, start-up entrepreneurs, and aspiring entrepreneurs such as students, the unemployed, and school dropouts.

Mentors advise and support entrepreneurs (both with existing businesses and start-ups) to develop their businesses. Mentoring services are provided through a parallel model: mentors only provide financial capability services while loan officers only provide financial services.

For potential entrepreneurs—students, vulnerable adults and others interested in starting a business—Qredits has developed an educational program called *EigenBaas* ("Be Your Own Boss") where participants can test their entrepreneurial spirit, learning what it takes to start a business, write a business plan, present themselves, and sell their product. They can also prepare their own business plans and practice business plan pitches.

Case Study 4: Humo (Tajikistan)

Humo is a microfinance institution in Tajikistan that offers a range of financial services, including business and personal loans, deposits, and money transfer services. It targets low-income people living in rural areas.

Humo provides several services aimed at improving financial capability. These services include counseling, classroom training, video spots shown in branch offices, posters, leaflets and brochures. Additionally, Humo has incorporated educational messages into the brochures for credit products.

Humo utilizes a unified model in which loan officers provide education to clients. Loan officers are trained to deliver counseling and training to their clients alongside their work delivering financial services.

Case Study 5: KMF (Kazakhstan)

KMF is the largest microfinance institution in Kazakhstan. It provides business, agricultural and consumer loans to low-income people. The majority of KMF's clients uses group loans and lives in rural areas.

KMF aims to build financial capability of current and potential clients through classroom training. In this way, KMF is able to reach out to a large number of beneficiaries, and has trained 95,000 people in the last three years. Trainings on personal finance management covering 11 topics are offered in all branches to clients as well as non-clients. KMF has also developed brochures, posters, a video, and audio lessons as accompanying materials for self-study. These materials are all available online.

Since 2015, KMF has also offered business education through five training modules, which are only available to loyal clients of KMF.

KMF utilizes a unified delivery model to implement its financial literacy program. KMF staff, including loan officers and branch managers, deliver financial literacy trainings and provide individual consultations for KMF borrowers.

Case Study 6: Borrow Wisely Campaign

The Borrow Wisely Campaign (BWC) aims to raise awareness and provide tips on the responsible use of credit. The campaign is held annually in October in over ten countries in Europe and Central Asia,[1] during which

[1] In 2014, the BWC was implemented by 12 microfinance institutions. The number increased to 18 MFIs in 2015, and 20 in 2016.

participating MFIs distribute leaflets and brochures, show video spots, send text messages, and talk with their current and prospective clients about responsible credit use.

The campaign was first held in 2013 when 12 MFIs joined forces to develop the campaign's main messages, tools and communication channels. The campaign has broad reach; in 2016, it reached 473,660 current and prospective microfinance clients directly and virtually.

The campaign is delivered through a unified model and implemented by front office staff at various stages of the lending process. Loan officers integrate the delivery of educational messages into the routine activities they perform, using all possible touch points with the client—in branch offices at the time of credit inquiry, in the loan application process, during monitoring visits, or during marketing activities in the community.

The Microfinance Centre—a network of microfinance institutions in Europe and Central Asia—has supported BWC MFIs in the initial development of campaign materials and in annual monitoring and evaluation of program outcomes.

Findings

The six case studies represent the spectrum of financial capability interventions in terms of delivery models, content, beneficiaries and financing strategies. Most of the institutions use a mix of interventions, particularly when serving a variety of clients. For example, Adie, PerMicro and Qredits deliver high-touch mentoring services to current borrowers and medium-touch group training to prospective clients.

MFIs often use information sharing as a complementary service. Brochures, leaflets and video spots are distributed by MFI staff to strengthen training and counseling messages (i.e., Adie, PerMicro, KMF and Humo). Information and advice on registering a company is complementary to training for aspiring entrepreneurs in Adie's *Conseil* service.

However, information sharing can also be a stand-alone service in the case of an awareness-raising campaign. For example, the Borrow Wisely Campaign aims to raise awareness about the responsible use of credit by directly delivering key messages to beneficiaries with low involvement on the part of MFI staff or educators.

Although information sharing, especially delivered through mass media channels, is considered to be the most effective in reaching large groups of people, we have found that KMF has achieved considerable scale in providing training through an integrated approach where loan officers serve as educators. This is a unique case given the intensity of institutional engagement in terms of staff involvement and costs.

While the primary motivation for MFIs is to improve the well-being of clients and strengthen the impact of microcredit on clients' lives, the business approaches for delivering financial capability interventions vary widely. MFIs aiming at self-sustainability tend to choose solutions that do not involve subsidies or use of external funding. MFIs using donor funding to support their microcredit operations, in contrast, are more likely to use subsidies to finance financial capability interventions (see Table 3).

Table 3: Summary of Selected Cases

Microfinance Institution	Financial Capability Activities	Type of Financial Management Service	Type of Delivery Model	Financing Strategies	Comments
Adie (France)	Mentoring, training, e-learning	Business/Enterprise	Parallel	Volunteers, donations	High-touch delivery techniques, subsidized
Humo (Tajikistan)	Counseling, training, marketing materials	Personal	Unified	Covered through marketing budget	High-touch delivery techniques, self-financed by the MFI
Borrow Wisely Campaign (Multi-country)	Information provision through multiple channels	Personal	Unified	Covered through marketing budget, MFI network contribution	Large scale of outreach through low-touch delivery techniques
KMF (Kazakhstan)	Training	Business/Enterprise and Personal	Unified	Covered by corporate social responsibility budget	Large scale of outreach, self-financed by MFI
PerMicro (Italy)	Mentoring and training	Business/Enterprise	Linked	Volunteers, donations	High-touch interventions delivered by partner institution (PerMicroLab), subsidized
Qredits (Netherlands)	Mentoring, training, e-learning	Business/Enterprise	Parallel	Fee-based services, volunteers, donations	High-touch delivery techniques, partially paid by clients and partially subsidized

Strategies for Achieving Financial Viability

In the course of studying the business approaches for delivering financial capability interventions, we discovered six ways of financing these interventions. MFIs often use a mix of strategies that combine cost reduction solutions with those that generate income to cover the costs.

1. Income From Fees, Services or Materials

In this approach, the MFI offers fee-based financial capability services. Qredits is an example of an institution using this approach.

Qredits aims to be self-sustainable in delivering financial capability interventions, so it developed a strategy for generating sales revenues from diversified sources. Qredits sells financial capability services, such as mentoring and e-learning modules directly to customers, as well as a complete educational package (the *EigenBaas* program) to vocational schools, high schools, universities and other partner institutions. Additionally, Qredits sells an e-learning course to other MFIs and NGOs working with current and aspiring entrepreneurs in the Netherlands and abroad.

Activities related to financial capability are managed by Qredits' mentoring department, a separate cost center, and thus the costs of providing financial capability activities are tracked separately from the costs related to the provision of financial services. As a result, Qredits can adjust its pricing strategy with its cost structure.

Client fees are a good source of revenues for institutions focused on achieving financial sustainability. Such a strategy also allows for clarity in communication with the client. Each service—financial and non-financial—has a price and clients can select the most suitable set of products and services based on their needs. Clients tend to value more highly and make better use of services for which they pay.

Despite these benefits, it may be difficult to convince low-income clients to use paid services, especially in countries where MFIs compete with one another over the price of their services. Clients may be suspicious of the quality of educational services, since MFIs are not educational institutions nor is financial capability their core business. The uptake of paid services may depend on the cultural context (willingness to pay), income level (affordability of the service) and the availability of other educational options.

2. Grants and Subsidies

Institutions that prioritize social impact over self-sustainability tend to use donated funds to support their financial capability interventions for current clients. MFIs receive grants from private sources, such as international commercial banks, local governments, and NGOs. Adie, Qredits and PerMicroLab have used donor funding to develop and/or deliver financial capability interventions.

MFIs with access to grants and subsidies can deliver financial capability interventions without passing the costs on to clients. However, continued access to grants and subsidies depends on the strategy of the donor institution—there is a risk that funding may be reduced over time or discontinued. Additionally, the number of potential grant sources is limited and usually there is high competition from other organizations. MFIs have to not only maintain relationships with current donors, but also constantly look for new funding opportunities.

3. Absorption Into Marketing or Corporate Social Responsibility Budgets

Several MFIs, including two of our case studies—KMF and Humo—cover all costs associated with the development and delivery of financial capability interventions with their profits. These costs are absorbed into their marketing budget or the budget for corporate social responsibility initiatives.

MFIs implementing this strategy expect that the investment in improving the financial capability of their current and prospective clients will not only improve livelihoods but also result in enhanced client loyalty, improved reputation and better performance of the loan portfolio.

In covering the costs associated with financial capability interventions with its own profits, an MFI can reduce its dependence on external parties. Self-financing of financial capability activities reduces the additional burden of seeking external financing (such as through donations and volunteers) and maintaining a network of supporters.

The decision to finance financial capability interventions via marketing or corporate social responsibility departments depends on the priorities of the MFI's shareholders. Changes in the shareholding structure may impact the allocation of funds and thus threaten the continuity of the financial capability program in the long term. Profit distribution is also dependent on the financial performance of the MFI. In event of an economic downturn or lower profits, the financial capability program may be at risk of being discontinued or reduced in scale.

4. Integration Into Credit Processes and Routine Client Interactions

This is a common strategy among many microfinance institutions, including Humo in Tajikistan, KMF in Kazakhstan, and some MFIs participating in the Borrow Wisely Campaign. Loan officers deliver counseling and training together with financial services to clients in branch offices at the time of credit inquiry or loan application, during monitoring visits, or while conducting marketing activities in the community.

The delivery of financial capability interventions is a marginal cost as loan officers spend the same amount of time with the client regardless of whether or not they deliver financial capability services. Loan officers know the clients and their businesses and are able to tailor their messages and their teaching style to the needs and preferences of the clients. They can deliver financial capability interventions in the most teachable moment when the client makes a financial decision.

Engaging loan officers in financial capability costs less than hiring new teaching/mentoring personnel and requires less effort than setting up partnerships with educational institutions. Unfortunately, not all loan officers are talented educators. Loan officers are hired based on their ability to deliver financial services, not to educate clients, and therefore the quality of their counseling may be poorer than what is needed to effectively mentor clients.

It is difficult to monitor the quality of training and counseling delivered by loan officers at the time of financial services delivery. Additionally, the incentive systems of many MFIs give preference to financial services delivery, thus loan officers who aim to meet targets related to the loan portfolio may be less committed to financial capability interventions.

5. Cost-Sharing Through Partnerships

This strategy involves sharing costs of developing financial capability interventions with other institutions, such an MFI network.

The Borrow Wisely Campaign is an example of a combined effort of the Microfinance Centre (the regional microfinance network) and member MFIs. The role of the network was to propose a common framework for the campaign, develop customizable materials, prepare monitoring and evaluation methodology and tools, and analyze results after the campaign roll-out. Twelve MFIs joined forces with the Microfinance Centre to contribute their time and expertise in refining key messages and the layout of the materials before implementing the campaign.

Each institution covered the costs associated with its activities. The Microfinance Centre covered the cost of a graphic designer and filmmaker and the time of staff engaged in project management and monitoring and evaluation. The participating MFIs covered the costs of materials adaptation, printing of collateral (posters, leaflets and brochures), and staff time spent on campaign planning, implementation and collection of monitoring and evaluation data.

Partnering with an MFI network to cover the costs of developing the framework and materials for financial capability interventions generates significant cost savings for MFIs. Similarly, in countries where several MFIs are participating in the same activity, there is a synergy effect which positively influences the outcomes of the program.

However, it should be noted that the BWC campaign's materials are a result of a compromise among MFIs from ten countries and may not be fully tailored to the specific needs and expectations of the clients in each country.

6. Use of Volunteers

Several MFIs engage volunteers to deliver financial capability interventions. The most common volunteer role is to be a mentor who assists the entrepreneur in writing a business plan before receiving MFI financing and in further developing that business after receiving a loan. Volunteers contribute their time free of charge, which is a significant cost savings for the MFI. Three MFIs— Adie, PerMicroLab and Qredits—work with volunteers who are bankers, accountants, tax advisors and active or retired entrepreneurs. Some MFIs engage in building the capacity of prospective mentors. For example, Qredits' mentors go through an e-learning course ("Microfinance Mentoring”) about mentoring techniques that can be applied when working with clients. Every quarter, Qredits organizes a peer review meeting for mentors, during which a professional trainer is invited to deliver a workshop to edify mentors and refresh their skills.

PerMicroLab, expecting that volunteers already have mentorship experience, does not offer any mentor training but provides opportunities for mentors to network and learn from each other and from PerMicro’s loan officers.

To recruit new volunteers, PerMicroLab relies on electronic media (i.e., website, LinkedIn) and referrals from current mentors. Adie organizes week-long national campaigns to attract volunteers. Qredits has a dedicated staff position to maintain relationships with banks, audit firms and accountant offices to recruit volunteers from among the professional staff of these companies.

The greatest advantage of working with volunteers is the reduced costs of delivering activities that require high-intensity interactions with the client. In the three MFIs we surveyed that work with volunteers, the delivery of mentoring services would not be possible if mentors were paid market-rate fees.

Although the volunteers are not professional mentors, they are professionals in their particular area of work and can therefore provide first-hand advice drawn from their experience. Mentors who are also entrepreneurs are familiar with the typical problems emerging enterprises encounter and can provide solutions from their own experience.

Yet volunteer mentors are not professional educators, so despite their extensive knowledge in their particular area of expertise, they may lack interpersonal skills or familiarity with mentoring techniques. MFIs can mitigate this risk by engaging volunteers with mentorship experience, pre-screening candidates and providing opportunities for upgrading skills.

As volunteers are often full-time employees or active entrepreneurs, they have limited time which they can spend away from their own work. Therefore, to ensure sufficient availability of mentors for their clients distributed across the country, MFIs have to maintain a relationship with a large number of volunteers. This increases the costs of managing the financial capability program as the coordinators need to constantly recruit new volunteers.

There are a limited number of professionals interested in volunteer work, especially in countries with lower levels of civic engagement and shorter histories of volunteerism. It requires significant effort on the part of the MFI to attract people who can provide high quality mentoring at no cost.

Conclusion

The importance of developing financial capability for clients and lenders has been widely recognized and has manifested itself in the proliferation of these programs. Our research reveals a variety of services, delivery models, and strategies for financing capability interventions.

Financial capability interventions can be delivered sustainably, although they are implemented through partial cost recovery in a majority of cases, with some portion of the costs subsidized either directly through donations or indirectly through in-kind contributions of volunteers. Since financial capability interventions are expensive, MFIs employ strategies to reduce costs, such as integrating the interventions into financial services provision or transferring the costs to other institutions or individuals (including volunteers and partner institutions). MFIs also look to cover the cost of financial capability interventions by securing revenues from fee-based services, profits earned from financial services and donations.

Finally, while our research uncovered some key trends in applying various financing strategies, we could not precisely assess these services in terms of full profit and loss analysis. Although the MFIs we surveyed either fully track or approximate costs of delivering financial capability interventions, no MFI runs a cost-benefit analysis that would show the business gains from the investment in building the financial capability of clients. Many MFIs lack the methodology and tools needed to conduct a detailed analysis of financial inputs and outputs.

We believe there is space for our research to be expanded, and it would be worthwhile to conduct a detailed accounting exercise to capture all the costs associated with financial capability interventions and their impact on the overall sustainability of a microfinance institution. Such an exercise could lead to a streamlined methodology for capturing the true cost of financial capability programs. Additionally, we feel it is important to develop a methodology for conducting an attribution analysis that would illuminate the impact of improved client financial capability on the financial performance of the MFI, in addition to the clients' livelihoods.

The Center for Financial Inclusion at Accion (CFI) is an action-oriented think tank working toward full global financial inclusion. Constructing a financial inclusion sector that reaches everyone with quality services will require the combined efforts of many actors. CFI contributes to full inclusion by collaborating with sector participants to tackle challenges beyond the scope of any one actor, using tools that include research, convening, capacity building, and communications.

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