



Lessons learnt

Financial education for MFI customers in Africa

Survey findings on the effects of financial education on customers.

Context

MAIN (Microfinance African Institutions Network) is the African network of microfinance institutions (MFIs). It has nearly 120 members in 26 African and European countries and contributes to the institutional strengthening of MFIs. From 2018 to 2021, ADA supported the MAIN in promoting and increasing transparency among its member MFIs. This transparency project included a financial education component aimed at giving MFI customers the information and skills to understand and compare the financial products they were offered. Within this framework, eight MFIs in four African countries received technical assistance to implement financial education programmes for their customers.

Key project activities

FINANCIAL EDUCATION COMPONENT

Definition of financial education modules

Module topics: savings, budgeting, credit management, financial services and digital finance.

Financial coaching

Coaching was provided to eight MFIs in four sub-Saharan African countries, including training of trainers among the staff of these MFIs:

- in **Togo**: Millenium Microfinance, COOPEC-AD and MECI;
- in **Chad**: UCEC-MK;
- in **Burkina Faso**: MUFEDE-B, MIFA SA and ASIENA;
- in **Benin**: ACFB.

Implementation of financial training for customers

The training was provided within the coached MFIs.

Analysis of the effects of financial education on customers

Surveys were implemented among a representative sample of training participants to:

- **gain a better understanding** of how training helps customers, particularly in terms of improving their financial knowledge, adopting new practices and any positive effects on their money management and living conditions;
- **identify the training aspects** that seem most relevant, as well as those that could be improved, to be able to adjust the content and format of the training courses to ensure their longevity.

TOPIC

Access to basic services



PROJECT NAME

Transparency Programme: support for the MAIN network to promote MFI transparency in Africa

OBJECTIVES

1. Improve customers' financial skills and their understanding of financial products and services.
2. Increase the number of customers and improve the financial health of MFIs.

PROJECT DURATION

01/06/2018 to 31/12/2021 (43 months)

WORK AREA(S)

4 sub-Saharan African countries: Benin, Burkina Faso, Chad and Togo

BUDGET

EUR 23 000

STAKEHOLDERS

Funder
Luxembourg Ministry of Foreign and European Affairs

Partner
MAIN

CONTRIBUTION TO SDGs





Project and survey results

“FINANCIAL EDUCATION” COMPONENT

In December 2021:



8

MFIs were coached in 4 African countries: Benin, Burkina Faso, Chad and Togo



128

trainers were trained in these 8 MFIs



12,282

customers were trained on financial education by these trainers



“MAIN Transparency Awards” at the African Microfinance Week (SAM) 2021 in Kigali

Survey methodology: A representative sample of 869 training recipients was taken at four MFIs coached in three countries: UCEC-MK in Chad, Millenium Microfinance in Togo, MIFA SA and MUFEDE-B in Burkina Faso. The results shown below are taken from this survey.

1 : A large number of MFI customers took part in financial training for the first time and gained new knowledge

91% of the customers trained had never taken part in financial training and almost all of them gained new knowledge. For 60% of them, these were completely new concepts. These figures show the relevance of the training and the effective targeting of the recipients.

Training recipients, Burkina Faso:

“We have learnt techniques to save money and reduce our rash spending.”

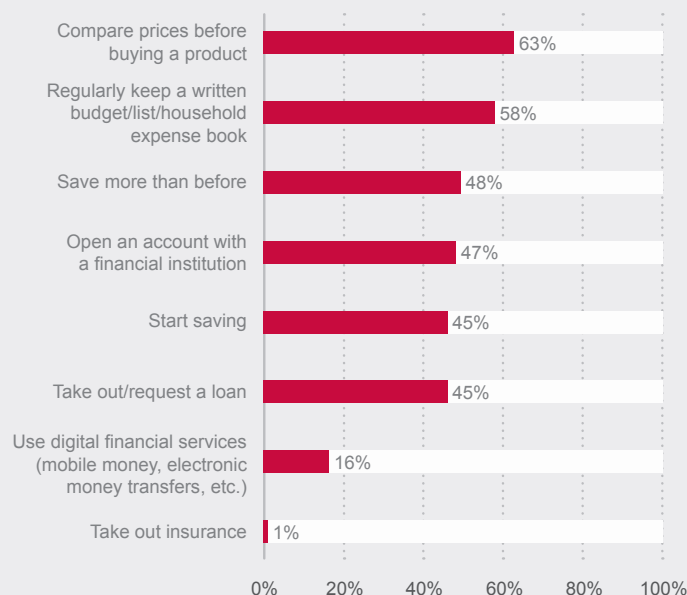
“Before the training, I didn’t know the difference between profit and working capital. Now I know what I put into my business as money and what I take out of it as profit.”

“I have learnt that we can lock our money in an account for a certain amount of time, i.e. make a term deposit that earns interest.”

2 : Financial education encourages the adoption of best practices in money management

99% of the participants said they had changed their money management practices as a result of the training, including: comparing prices before buying (63%), keeping a written budget for household expenses (58%), saving more than before (48%) or starting to save (45%), opening an account with an MFI (47%) or applying for a loan (45%). The use of digital services is still marginal (16%) and taking out insurance is almost non-existent (1%). In addition, 39% of those responsible for household bills now say they pay their bills immediately and 39% sooner than previously.

After taking the training, what changes did you make to your money management habits?



42% of the customers said they still don’t keep a written budget after the training, for the following reasons: feeling that they do not need to (47%), lack of time (24%) or information on household financial flows (9%), poor command of the necessary tools (22%), giving up over time (16%) or illiteracy (7%). These results point to the need to provide customers with simplified budgeting tools and methods.





Lastly, over half of customers trained do not take out a loan for several reasons: 59% believe they do not need it; 25% have other sources of financing (savings, loans from other banks or MFIs, help from friends and family); 7% have been refused credit; 6% lack the confidence to apply for credit; and, finally, 14% feel that the conditions for accessing credit are too strict, the cost is too high (7%) or the repayment terms are not suited to the economic activity (6%). These results indicate the need for MFIs to further adapt their products to customers' needs and capabilities.

Training recipient, Togo:

"Now I don't spend my income like I used to. I first save money for the loan, make some savings and then spend the rest on my needs."

Training recipient, Burkina Faso:

"I used to give my money to my husband and I often had problems [getting it back]. Now I don't have this problem because I keep my money in an account."

3 Digital finance remains marginal in terms of perceived usefulness and customer uptake

Most of the training recipients found the topics of savings, credit management and budgeting useful. The module on digital finance was less popular, leading some MFIs to remove it from the training, with just 23% of the customers trained currently using digital finance services. Of the others, 45% feel they don't need them, 27% find digital tools complex to use, 23% simply don't have access to them and 15% lack money. These obstacles can be mitigated through awareness-raising and targeted training.

The money from their tontine went up in smoke!



Source: illustration from the training manual

If I save enough money from my daily sales, I could pay for my son's education all the way to university.

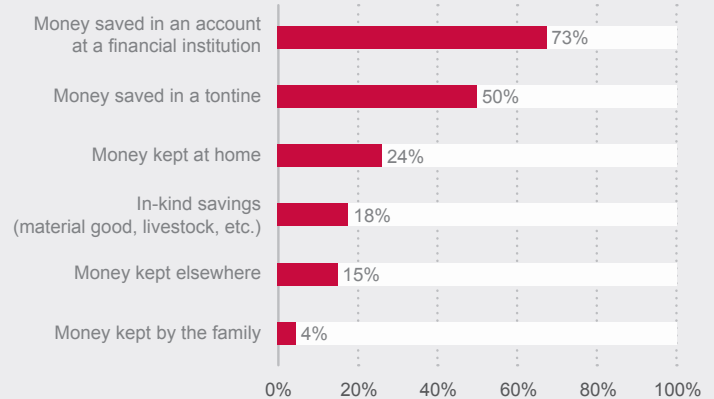


Source: illustration from the training manual

4 While a large majority of MFI customers save, they do not always save with formal financial institutions

93% of trained customers said they save money. The different forms of savings include savings with a financial institution (73%), a tontine (50%), money kept at home (24%) or elsewhere (15%) and savings in kind (18%). The survey found that people save in different ways. As such, despite good uptake of the practice of saving, educating about the dangers of informal saving remains essential. To increase formal savings, MFIs can also make it easier for their customers to deposit and withdraw money, for example by providing digital payment solutions or a local service.

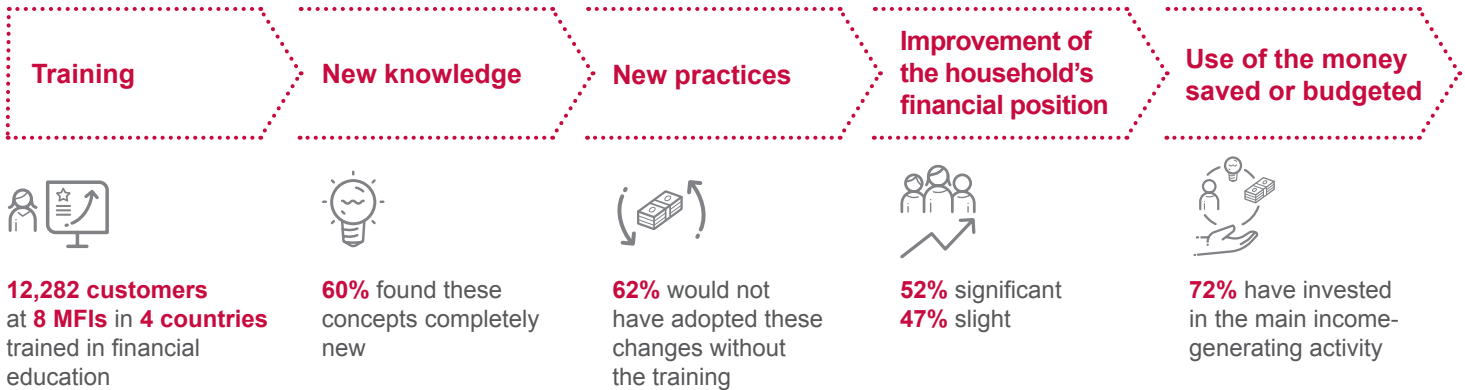
Types of savings





Impact

Financial training prompts MFI customers to change their money management practices, enabling them to improve their household's financial situation and to invest money productively.



The training provided new knowledge to almost all recipients and encouraged all participants to adopt one or more new money management best practices, which many would not have done without the training.



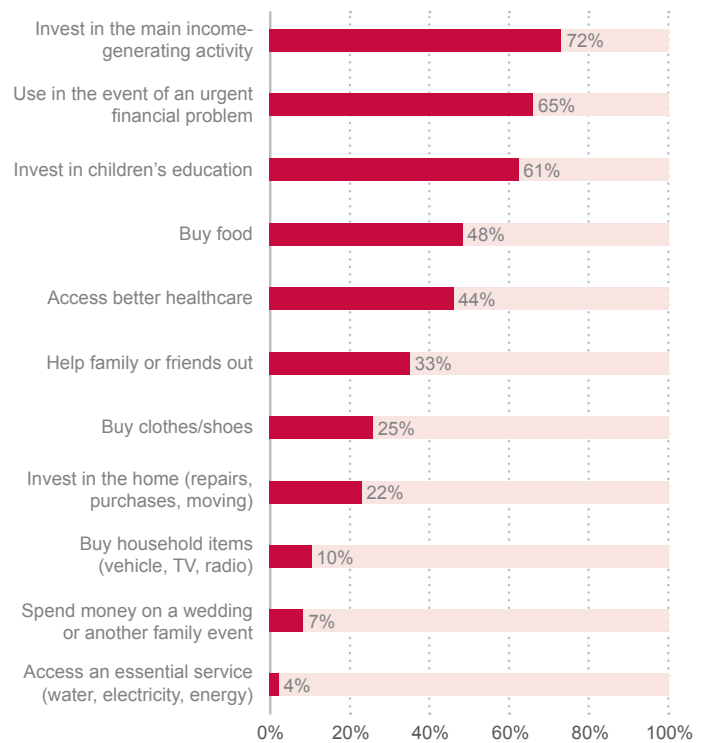
Source: illustration from the training manual

As a result, 52% of recipients reported a significant improvement in their household's financial situation and 47% reported a slight improvement. The money saved or budgeted was invested productively in the main income-generating activity (in 72% of cases), in children's education (61%) or in housing (22%). It also enabled recipients to meet urgent financial needs (65%), buy food (48%), access better healthcare (44%), buy clothes (25%) or help friends and family (33%).

Training recipient, Burkina Faso:

"I feel really fulfilled, because I can pay for the children's schooling and I've grown my business."

If your financial situation has improved, how have you used the money saved/budgeted?



Overall, 98% of respondents said their confidence in how to manage money has improved as a result of the financial education training. They feel more confident (89%), independent (48%) and calm about financial emergencies (50%). They are also more confident in their relationship with the MFI (49%), with their family and friends (29%) and are less afraid of the future (20%). Some customers have even been able to develop their own income-generating activities or become involved locally in the collective management of assets.

Lessons learned

- ✓ **The content of the training should be adapted to customers' needs, profiles, activities and origin to enable good uptake of the financial concepts.**

The existing standard training material needs to be reworked, particularly to adapt the content to customers' activities and areas of origin, e.g. to rural areas and agricultural activities in the case of UCEC-MK customers. The most popular topics are credit management, savings and budgeting. Conversely, training on other financial services such as insurance and digital finance needs to be better adapted to customers' needs and profiles so they can see the usefulness of these services and adopt properly the concepts.

Most customers prefer a training course that:

- lasts between 2 and 4 hours;
- is held once a month and in-person, although some would prefer more regular sessions (twice a month or even once a week). 66% are only interested in the in-person format because they often are not proficient in digital tools and prefer asking the trainers their questions directly;
- is held in local languages;
- takes place in a group of 20 people maximum;
- is explained step by step and on a board rather than on slides.

Better transportation to training locations is also needed. Lastly, to ensure good uptake of the content and a better understanding of the various concepts, the participants suggest taking the training a second time or receiving post-training follow-up.

- ✓ **Financial education helps strengthen the relationship between the MFI and its customers.**

Financial training helps to strengthen the relationship between the MFI and its customers, in particular to increase customers' trust in and communication with the MFI.

Training recipient, Togo:

"I'm confident now and I trust the MFI enough to support me in the future by financing some of my projects so that I can become a proper trader."

Training recipients, Burkina Faso:

"I feel financially confident, because I'm saving more now and I've even opened accounts for my children."

"If something unexpected happens when you have an outstanding loan, you have to report this difficulty to the financial institution to get advice."





The survey highlighted the importance of financial training for both MFIs and their customers. On the customer side, there is better management of financial flows and the financial situation of households. The money saved and budgeted for is invested productively. In general, customers are more independent, confident and calm regarding the future. On the MFI side, the relationship with customers has become stronger.

The data collected does not establish an immediate link between training and the improvement of an MFI's financial performance. For example, recipients who report saving more than before may also do so informally outside the MFI. Nevertheless, the training was useful for the MFIs. In the case of UCEC-MK, its managers have observed a significant improvement in financial performance between 2019 and 2022, both in terms of growth in customer numbers and in the increase in deposits, outstanding loans and improvement in the portfolio at risk. Although financial training is not solely responsible for these good performances, UCEC-MK believes

it has been an accelerating factor. UCEC-MK's management now believes that an MFI cannot be sustainable without financial education. By the end of June 2020, the MFI had trained 15% of its customers, included financial education in its strategic development plan and transferred all costs related to the provision of training in-house. Like UCEC-MK, the other MFIs also plan to conduct large-scale customer training in the future. Some are also using it as a marketing tool to seek out new customers.

These surveys helped to understand how (in terms of content and format) and why (effects on recipients) to implement financial education training. These results can be used by both MFIs and organisations supporting MFIs or the inclusive finance sector, for example in projects involving financial education to enhance credit approval or the promotion of digital finance. In this context, ADA is currently involved in defining and implementing national financial education programmes in Benin and Tunisia.

ADA, an expert in inclusive finance, driver of partnerships and innovation



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ADA (Appui au développement autonome) is a Luxembourgish, non-governmental organisation that has been increasing the autonomy of vulnerable people in Africa, Central America and South-East Asia with inclusive finance since 1994, thereby contributing to achieving the Sustainable Development Goals.

ADA leverages its resources and expertise to innovate, support local partners, implement technical support programmes, give investment advice and manage knowledge to positively and sustainably impact targeted populations.

ADA's activities focus on three main topics: **youth entrepreneurship, agricultural and forestry value chains** as well as **access to basic services**. These activities touch upon three transversal themes: climate change, gender and the use of digital technologies.

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