

## FINANCIAL EDUCATION TRAINING FOR THE CLIENTS OF OXUS AFGHANISTAN

## 1. FINANCIAL EDUCATION CONTEXT

Afghanistan has one of the lowest general literacy rates in the world, currently estimated at about 31% of the adult population (defined as over 15 years of age). Literacy rates among men average about 45%; however, this rate varies greatly based on location — from a high of 68% in Kabul to a low of 41% in Helmand. Literacy rates among women are, on average, a much lower 17% and range from a high of about 35% in Kabul to a low of about 2% in the country's two southern provinces<sup>1</sup>. Afghanistan's National Development Strategy (ANDS)<sup>2</sup> paper made basic education and reducing illiteracy rates a top priority for the government. To this end, the government has expressed a commitment to implementing priority programs endorsed in the National Education Strategic Plan.

Financial literacy in Afghanistan is estimated to be much lower than general literacy rates. According to research conducted in 2015 for the World Bank<sup>3</sup>, financial literacy rates in the country are only about 14%. To improve knowledge of banking and financial literacy, the Central Bank of Afghanistan published certain local-language booklets to create awareness and educate citizens about banking and the financial services available to them.<sup>4</sup> Moreover, the Micro Finance Investment Support for Afghanistan (MISFA) department, a department under the Ministry of Finance which supports microfinance operations and activities, provides grants for programs aimed at (1) increasing access to finance and (2) providing innovative support. This includes grants for financial education (FE) measures.

Although there is now a push in Afghanistan to improve general literacy as well as an understanding of the importance of improving financial literacy (especially in more impoverished areas), FE programs in the country are virtually non-existent. In fact, no microfinance institution in the country has developed systematic FE as a non-financial service for clients, with the exception of the FE program established as part of this project.

## 2. INTERVENTION APPROACH

## Financial literacy needs assessment

An on-the-ground financial literacy needs assessment was conducted from April 8 to 12, 2018, by a Business & Finance Consulting GmbH (BFC) Expert Team. This needs assessment consisted of visits to ten OXUS Afghanistan (OXUS) branches in Kabul, during which meetings were held with 40 OXUS staff members and 23 OXUS clients. Two questionnaires (one for OXUS staff and one for OXUS clients) were developed prior to the meetings in order to ensure the consistency (and therefore usability) of data gathered during the needs assessment. These questionnaires were specifically designed to gather general demographic information, financial information (including current attitudes and behaviours towards budgeting, savings, debt management and investing), FE priorities and preferred learning methods.



*FE training session on November 13, 2018*

As a result of these meetings, five areas were identified for inclusion into the FE program for this project: (1) expense management, (2) savings, (3) budgeting, (4) loan management and (5) business planning. It was also determined that animated videos in the local languages of Dari and Pashto would best engage target clients for the FE program as well as best communicate key messages on a wide scale.

<sup>1</sup> <http://www.unesco.org/new/en/kabul/education/youth-and-adult-education/enhancement-of-literacy-in-afghanistan-iii/>

<sup>2</sup> [https://www.wto.org/english/thewto\\_e/acc\\_e/afg\\_e/WTACCAFG18\\_CD\\_1.pdf](https://www.wto.org/english/thewto_e/acc_e/afg_e/WTACCAFG18_CD_1.pdf)

<sup>3</sup> [https://gflec.org/wp-content/uploads/2015/11/3313-Finlit\\_Report\\_FINAL-5.11.16.pdf?x22667](https://gflec.org/wp-content/uploads/2015/11/3313-Finlit_Report_FINAL-5.11.16.pdf?x22667)

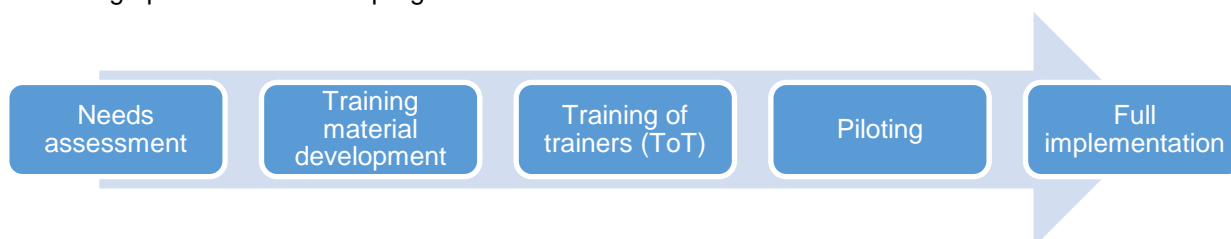
<sup>4</sup> <https://dab.gov.af/index.php/Public-Awareness>

The needs assessment also identified three major challenges for the FE program:

1. Security issues – a combination of political instability and relatively high levels of crime have made OXUS understandably cautious. Because of this, OXUS maintains a low profile and operates largely via word-of-mouth and officer visits to communities and individuals.
2. High potential for low attendance – clients must be sufficiently motivated to attend FE trainings. FE trainers were coached to be motivators as well as subject-matter experts; trainings were designed to be engaging (e.g. the use of animated videos); and each FE trainings session was adapted to be delivered within 30 minutes.
3. Clients' general educational level – as general literacy levels in the country are rather low, the FE program was designed in a largely illustrative format (including animated videos) to more effectively communicate FE messages.

### Main activity areas (goal, targets, resources and time frame) and outputs

The design process for the FE program was:



The main aim of the FE program was to offer FE training to existing and potential OXUS clients that will help them better evaluate their business, give them the tools necessary to make relevant financial decisions and raise awareness of financial inclusion opportunities. To accomplish these aims, BFC has created the following FE training materials:

- Five animated videos in the local languages (Dari and Pashto), one video for each area identified during the needs assessment
- An FE booklet (My Life Management Plan) that reinforces the key messages of the FE program
- A trainer's manual for OXUS trainers to use to consistently deliver FE trainings
- A training of trainers' presentation to reinforce the information in the trainer's manual

All FE materials were finalised and delivered to OXUS in July 2018. In addition to being used during FE training sessions, it was decided that the animated videos would also be displayed on a continuous cycle on monitors at OXUS branches and that booklets would be made available to all clients visiting an OXUS branch.

The key milestones and goals of the project, as originally-envisaged, along with their achievement status and relevant timeframes are presented in the following table:

**Table 1. Project milestones achievement status**

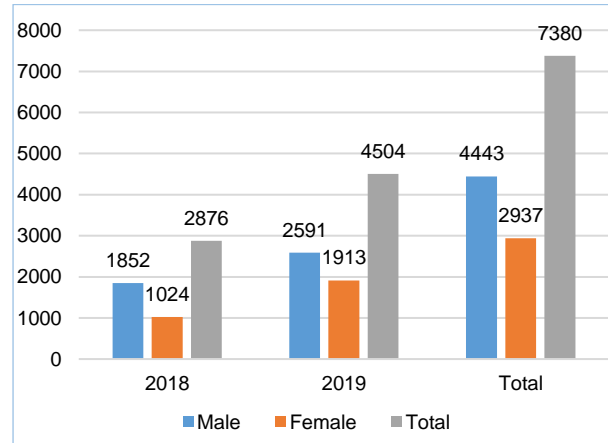
Milestone	Status	Comment(s)	Timeframe
FE program design	100% achieved	The FE program was designed based on the results of the financial literacy needs assessment described above.	April 2018
Training tools development	100% achieved	Five animated videos, an FE booklet, a trainer's manual and a training of trainers presentation were all developed <sup>5</sup> and delivered to OXUS by July 2018.	May–July 2018
Training staff training	100% achieved	21 OXUS staff members (including 19 loan officers and two training officers) were trained on delivering FE training sessions during five days of on-the-ground training.	July 2018
Pilot launch	100% achieved	Pilot FE training occurred in all 24 OXUS branches. These training sessions were led by OXUS staff who had undergone training. Following the pilot period, results from the pilot were obtained and assessed.	September–November 2018

<sup>5</sup> Note that all materials were first developed in English and then translated into the local languages (Dari and Pashto).

Target 1 - 2,000 individuals financially educated	100% achieved	This target was achieved in December 2018.	September–December 2018
Target 2 - 4,000 individuals financially educated	100% achieved	This target was achieved in February 2019. As of July 2019, 7,380 OXUS clients and potential clients had undergone the FE training (184.5% of target)	September–July 2019

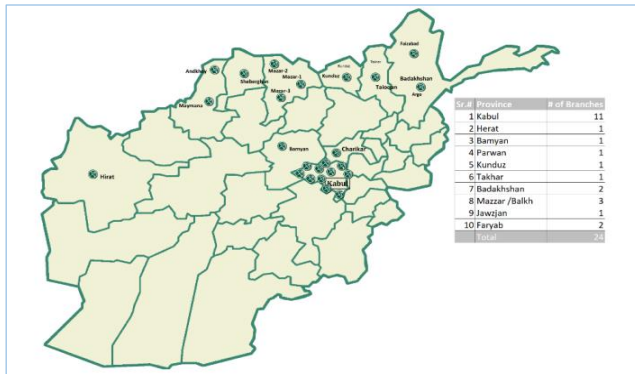
As outlined in the table above, the project set a goal of training 4,000 clients and potential clients by July 2019. During the period of September 1, 2018 through June 30, 2019, 7,380 clients (including 374 potential clients) received the FE training, 184.5% of the target amount. To achieve these numbers, OXUS dedicated two training staff members and one loan officer from each branch to the FE program, giving each a monthly target for number of trained clients/potential clients. Additionally, OXUS organized an FE training session at a university in Kabul. This training session was attended by a large number of professors and students and was well-received. While this clearly indicates OXUS's commitment to the FE program, OXUS Afghanistan aims to integrate these activities alongside its core business.

**Figure 1. Number of OXUS clients trained in FE**



### Partner financial institution

OXUS Afghanistan was founded in 2007 by a Paris-based network of microfinance institutions and is registered as a corporation under Afghan law. Since its inception, OXUS has been supported by grants and concessional loans from MISFA as well as by an equity investment from OXUS Holding, its main shareholder.



**OXUS branch network map**

portfolio) microfinance institution in Afghanistan, up from fifteenth in 2007. Currently, OXUS has a 10% share of microfinance borrowers in Afghanistan (based on outstanding loan portfolio). OXUS serves its clients through its network of 24 branches

**Table 2. OXUS Key Operational data**

Key Operational Data (as of July 31, 2019)	
Gross loan portfolio	USD 13.8 million
Percentage of loans to women in the outstanding amount	26%
Number of active borrowers	23,265
Percentage of active women borrowers	48%
Number of branches	24
Number of employees	405
Percentage of women employees	31%

OXUS is a transparent and responsible enterprise focused on providing financial services to the working poor and under-banked as a way of improving sustainable livelihoods. OXUS's core values are self-defined as: professionalism, client satisfaction, responsibility and innovation.

From 2007 to 2019, OXUS has grown tremendously and now ranks as the third-largest (in terms of

### 3. RESULTS ACHIEVED AND NOT ACHIEVED

#### Client level

In order to measure the impact of the FE program, a one-month (May 15–June 15, 2019) client survey was conducted. The survey included 357 FE training participants and covered 22 OXUS branches. The survey revealed that 54% (52% for men and 58% for women) of participants rated their satisfaction level with the FE training as either high or very high. Additional insights from the survey are presented in the following table:

**Table 3. FE intervention impact**

FE intervention	Change in financial literacy	Behaviour change(s)	Impact
Video/message on reducing spending	Participants understand simple financial concepts, including: ways to reduce spending and how to use a budget.	<ul style="list-style-type: none"> <li>Participants adopted the use of a budget and better financial management.</li> <li>Participants reduced unnecessary spending.</li> </ul>	<ul style="list-style-type: none"> <li>Stabilised cash flows, reduced expenses and increased disposable income</li> <li>Increased trust in financial institutions as a resource for better financial management.</li> </ul>
Video/message on increasing savings	Participants understand the importance of savings as well as how to develop strategies for building-up savings.	<ul style="list-style-type: none"> <li>Participants adopted improved savings habits</li> <li>Increased trust of participants in financial institutions</li> </ul>	<ul style="list-style-type: none"> <li>93% of participants increased savings by an average of 84% (to USD 24 per month).</li> <li>Participants have an improved ability to manage unforeseen expenses.</li> </ul>
Training of trainers	OXUS staff learnt and understand key FE messages, including increasing savings, reducing expenses, making business plans and educating clients about loan utilization.	<ul style="list-style-type: none"> <li>OXUS staff implicated in the FE program adopted better financial behaviours and shared key FE messages not only with clients but also with family and friends.</li> </ul>	<ul style="list-style-type: none"> <li>FE program key messages were successfully delivered to and adopted by a greater number of people throughout Afghanistan well beyond initially-set targets.</li> </ul>

The survey also revealed that participants have an interest in future FE trainings, specifically in the topics of making a business plan, developing a business and making a cash flow. Women participants also indicated a strong interest (much more so than men) in the topics of getting out of debt problems and marketing a business. Additionally, the topics of making profitable investments and opening a savings account at an authorized financial institution should be considered for future interventions.

#### Client profiles



**Mohammad Nasim** is 25-year old high school graduate who operates an aluminium furnace business. He took out a loan of AFN 100,000 (USD 1,300) from OXUS for his business after receiving the FE training. The combination of the loan and the FE training helped him save enough to pursue a life-long dream of higher education. Regarding the FE training, he said: “In Afghanistan, most of the people are uneducated; we need such training. The training was very beneficial for me. I liked all the material. I have recommended it to my friends as their businesses got stopped due to poor money management.”



28-year old **Anis Gul Shirali** is a tailor who operates based out of her home with just one sewing machine. She is a three-year client of OXUS and took out a loan of AFN 50,000 (USD 650) after receiving the FE training to improve her business. She found the FE training to be very valuable, stating that she is now able to contribute more to her family’s finances. Her family now saves AFN 5,000 (USD 65) every month. She hopes for similar trainings in the future, especially ones that are designed for women.



**Table 4. OXUS Operational Data as of July 31, 2018 and July 31, 2019**

Operational Data <sup>6</sup>	July 31, 2018	July 31, 2019
Gross loan portfolio	USD 13.5 million	USD 13.8 million
Number of clients	23,607	23,265
Non-performing loans	USD 445,000	USD 298,000
Women clients	11,072	11,226

OXUS management has reported a positive overall impact since the inception of the FE program. This includes OXUS staff members sharing the FE videos with family and friends and applying FE key messages in their own lives. OXUS has also seen a reduction in overall repayment time for instalment loans as FE program participants have started paying loan instalments early. The positive results seen thus far as well as OXUS's dedication to increasing financial literacy in the country have given OXUS the impetus to take ownership of the FE program and continue it into the foreseeable future.



**FE training video playing on a monitor in Kabul 2 branch, November 11, 2018**

Perhaps more importantly, changes in client behaviour have resulted in (1) clients reducing excessive spending and exercising expenditure monitoring (significant increase in financial discipline); (2) the percentage of non-savers among participants dropping from 52% to 7.4% and (3) an average increase of USD 24 in monthly savings per participant, 86% higher than pre-FE program figures.

#### 4. LESSONS LEARNT

The overall design and implementation of the FE program was effective, which is evidenced by the results (both in terms of the number of clients/potential clients trained as well as in terms of changes in financial behaviour). The FE program was implemented as originally planned, with project resources used efficiently.

OXUS plans to continue using the materials developed under this project. Specifically, loan officers will counsel clients on the key FE messages prior to loan disbursement, and FE videos will continue to be displayed on branch monitors. The training department will also continue to deliver group trainings on a regular basis. OXUS is also in the process of creating a dedicated training space at one of its branches for a "training academy", at which it will provide different trainings, including FE training to both staff and clients.



**Key FE messages painted onto the wall of an OXUS branch**

Overall, the design and implementation of the FE program was appropriate for the current Afghan context. For future similar interventions BFC recommends that the necessary resources should be allocated (i.e. finance and human capital<sup>7</sup>) to scale up FE efforts. The key success factors for this project (which should guide future similar interventions) include: senior management commitment, the availability of dedicated FE trainers, staff dedicated to improving clients' livelihoods and relevant (i.e. very simple and easy-to-understand) FE materials. The long-term sustainability of this particular intervention could be enhanced by: additional monitors to show FE videos at branch locations, laptops for trainers to use, having dedicated staff in each region/zone, sharing FE videos with clients (e.g. on a CD), introducing small incentives (gifts) for correct responses to FE-related questions and further distribution of FE booklets.

<sup>6</sup> OXUS does not offer savings account products nor does it provide insurance-related services. Additionally, client dropout rates are not calculated. All loan products offered by OXUS are for business purposes and not for consumption.

<sup>7</sup> During the intervention, loan officers had their normal work in addition to FE targets; this should be reduced/avoided in future intervention as much as is possible.