

Financial Education for Underserved Clients by Accion in India

1. FINANCIAL EDUCATION (FE) CONTEXT

Approximately 76% of adults in India do not adequately understand key financial concepts, according to a global survey conducted by Standard & Poor's Financial Services in 2015.¹ The survey found that only 39% of adults who are accessing formal lending products are financially literate. There also exists a gender gap in financial literacy: worldwide, the gap is 65% of men without financial literacy compared with 70% of women. In India, the gap is even wider, with 73% of men and 80% of women lacking financial literacy.

Financial regulators in India, led by the RBI, have committed themselves to an agenda of improving financial literacy across the country, and have together articulated a National Strategy for Financial Education,² a joint charter that lays out the various governmental and private sector schemes to promote better financial management among Indian households. Important strides to close the literacy gap have been made recently, especially in the wake of demonetization, which has incentivized more Indians to access formal financial services, and new digitally enabled financial services supported by the India Stack,³ a set of government protocols and interfaces that are bringing digital wallets and other mechanisms for cashless transactions to the subcontinent's population. The potential for improved access to traditional and digitally enabled financial services only underscores the great need for increased education and awareness around basic financial topics among low-income individuals, and especially among women in rural areas.

2. INTERVENTION APPROACH

Financial literacy needs assessment

The basis for the intervention by SCBF and Accion is the idea that financial literacy training can help Utkarsh clients make more informed decisions, leading to increased uptake and more effective use of appropriate financial products. The key constraints and challenges for up-scaling financial education in the states where Utkarsh operates are as follows:

- Lack of appropriate financial products tailored to the needs of low-income, low-literacy individuals
- Lack of financial services providers operating in rural areas
- Lack of knowledge of key financial concepts, including financial products and how they are used
- The need for high-quality training of staff at financial institutions to deliver financial education
- The need for a coordinated approach for supply and demand: most initiatives in the sector are from either the demand side or the supply side, but not from both
- The high costs involved with any high-touch model of client outreach and education/training in rural areas
- Lack of follow-up: the success of a program is determined not only by changes in financial knowledge, but changing behaviour and ultimately attitude, only achieved through a systematic approach and follow-up
- Lack of monitoring systems: along with follow-up, monitoring of the quality of training and the uptake and use of knowledge gained is essential

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

Under this financial education project, Accion's client education team worked with Utkarsh Small Finance Bank Ltd., an NBFC-MFI operating in 109 districts in 10 states across India's northern/central belt. The penetration of financial services is low in the regions served by Utkarsh, especially in the rural areas; the Accion team expected that most clients did not track cash flow or do any household budgeting, and that 30% or fewer clients

¹ http://gflec.org/wp-content/uploads/2015/11/3313-Finlit_Report_FINAL-5.11.16.pdf?x87657

² <https://investor.sebi.gov.in/pdf/FinalNSFE.pdf>

³ <https://indiastack.org/>

had formal savings accounts. Most Utkarsh clients are microentrepreneurs, wage laborers, and domestic workers, earning roughly 3,000 to 4,000 INR/month. The client base is primarily rural, and most Utkarsh clients are semi-literate or illiterate, with an average education level below 7th standard.

Accion served as technical expert and knowledge partner, seconding two project coordinators to Utkarsh for the duration of the project to build Utkarsh's internal capacity. Utkarsh was the implementing partner, recruiting training participants and offering the training programs at nine of its branches in Uttar Pradesh and Bihar.

Following a "training of trainers" (ToT) approach, Accion trained Utkarsh master trainers in the MoneyPlan program, Accion's proven financial literacy curriculum. The Utkarsh master trainers, in turn, trained additional instructors at Utkarsh who were then able to offer the financial literacy modules to clients, improving awareness and creating demand for financial services. Accion's MoneyPlan financial literacy curriculum is organized as a course of seven modules, delivered with the help of audio/visual aids and interactive methodologies such as videos, flip charts, and games. The seven modules are financial planning, cash flow and budgeting, savings, debt and borrowing, insurance, investments, and banking.

Delivery of the FE trainings began in May 2015 at five Utkarsh 'JLG' (joint liability group loan product) branches in Uttar Pradesh and Bihar (see Annex I). Five Utkarsh trainers were assigned individually to each branch, where they stayed through the duration of participant mobilization and course delivery. In June 2016, with classroom trainings at four of the branches complete, the four trainers were re-assigned to four additional Utkarsh JLG branches. The trainers accompanied Utkarsh credit officers on their meetings with the JLG clients, where the clients were encouraged to attend the FE trainings. Classroom trainings were delivered by batch over three consecutive days; each trainer conducted two trainings per day, with each session lasting 2 ½ hours. On average, each trainer delivered the classroom training to 200 clients per month – 10 batches each month, 20 clients per batch.

The Accion team used an MIS system for monitoring the trainers in the field and collecting training metrics. A dedicated project coordinator conducted field monitoring, including continuous field visits to ensure the progress and quality of training delivery. The project coordinator addressed any operational challenges, helped to motivate the field trainers, conducted impact assessment work, and documented case studies. In addition, a telephone hotline was established to engage with/support FE training participants remotely (see Annex II).

Over the course of the FE training delivery period from May 2015 to December 2016, a total of 20,452 participants completed the classroom trainings. In addition to the classroom trainings, the Utkarsh trainers also organized a series of 15 "mass awareness" events in the villages surrounding each branch involved in the program. The Utkarsh trainers engaged prominent community-level stakeholders – including respected leaders, health service providers, teachers, and local NGOs – in the planning and execution of each event.

Goal	Results Achieved	% achieved	Comments
Customize resource material, modules	FE training materials tailored to context and needs of low-income women clients of Utkarsh	100%	List of materials prepared in Annex III
Conduct ToT trainings, 5 trainers trained	ToT training completed, 5 trainers trained	100%	Utkarsh staff trained along w/ refresher training and monitoring during project
Train 20,000 women through classroom trainings	20,452 women completed classroom trainings	>100%	Classroom trainings conducted by Utkarsh staff to JLG clients
Train 8,000 individuals through 7 mass awareness events	15 mass awareness events completed; 8,812 participants attended	>100%	Additional MA events required to reach participation targets
Provide linkages to 4,000 clients to formal financial services	4,310 Utkarsh clients provided with linkages	>100%	Utkarsh clients linked to five different FS offerings

Additional funders

Accion co-funded the project with a self-contribution of 47% (12% of technical assistance experts costs), subsidized in part through a grant from an anonymous individual donor facilitated by Rockefeller Philanthropy Advisors in 2015-2016. Implementation of the project was also supported through in-kind contributions from Utkarsh.

Partner financial institution(s)

Accion is a global non-profit committed to creating a financially inclusive world. Together with our partners, Accion works to develop innovative and scalable models to reach under-served populations around the world: people living at the bottom of the economic pyramid, who often lack a safe place to save their money or are unable to access capital to grow their businesses. Over time, Accion has helped to build 65 microfinance institutions in 32 countries on four continents. As part of our work to reach the three billion people who are under-served by the financial sector, Accion supports and empowers entrepreneurs through client engagement and financial education initiatives.⁴

Utkarsh Micro Finance Pvt. Ltd. is an NBFC-MFI serving the underprivileged population in 109 districts in 10 states across India’s northern/central belt. Utkarsh provides financial services such as credit (through joint liability group loans and micro-enterprise loan products) and insurance as well as non-financial services, including health services, vocational training and market linkages. Since opening in 2009, it has grown to more than 350 branches, of which the great majority are in rural areas.⁵

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3. RESULTS ACHIEVED AND NOT ACHIEVED

Client level

A key objective of the financial education program was the development of linkages for Utkarsh clients with various financial products and services. The trainings enabled them to make better use of these products and services to manage their household finances and improve their livelihoods. Linkages were made to Utkarsh offerings as well as to services at other banks and service providers.

Financial Linkage Category	Number of Trained Participants Linked
New Bank Accounts Opened	556
Participants Making Savings Deposits	1,376
Participants Obtaining New Loans	930
Insurance Policies Purchased	720
New Investments Made	728
Total	4,310

After a period of 90 days following completion of the trainings for each cohort, our team conducted follow-up surveys with a wide sample of participants. The participants were re-visited with a questionnaire focusing on behavioural changes, financial changes, and access to financial services. Over the course of the project, 4,718 such follow-up surveys were collected to inform the overall assessment of impact. Client satisfaction was measured qualitatively through conversations with trainers, post-training survey questions, and quantitatively through an analysis of drop-out rates. Out of the 21,348 participants registered for the trainings, 20,452 completed the program, defined as attending at least five out of the seven financial literacy subject modules. This translates to an overall completion rate of 95.8%, correlating to a high level of satisfaction reflected by a low (4.2%) drop-out rate over the course of the project.

Support to clients	Attitude changes	Behaviour changes	Impact
Classroom trainings of JLG clients: FE modules (financial planning, cash flow & budgeting, savings, debt & borrowing, insurance, investments, banking)	<ul style="list-style-type: none"> Women clients reported feeling higher confidence in managing household finances Motivation to share/socialize learnings with other women in village 	<ul style="list-style-type: none"> Clients reported applying concepts to their household finances Clients reported daily savings behaviour Clients reported differentiating between expense types (needs vs wants) 	<ul style="list-style-type: none"> 4.6% increase in clients accessing additional credit 6.7% increase in clients opening savings accounts JLG clients gained skills to use credit for income generating purposes
Mass awareness events: Village-level awareness of	<ul style="list-style-type: none"> Messaging re: financial services socialized at village level 	<ul style="list-style-type: none"> Women clients requested mass awareness events to introduce FE concepts to male household members 	<ul style="list-style-type: none"> Community stakeholders engaged beyond Utkarsh JLG clients, strengthening buy-in and

⁴ <https://www.accion.org/>

⁵ <http://www.utkarshcoreinvest.com/>

financial literacy concepts	<ul style="list-style-type: none"> Improved local reputation of FE classroom trainings 		classroom training outcomes
Linkages with Utkarsh FS offerings and other services: savings accounts, credit products, gov't insurance schemes	<ul style="list-style-type: none"> Clients expressed more comfort/familiarity with Utkarsh services Clients expressed more comfort/familiarity with government schemes 	<ul style="list-style-type: none"> Clients reported enrolling in insurance schemes and opening savings accounts Clients began using Utkarsh hotline to ask questions and learn more about FS offerings 	<ul style="list-style-type: none"> Increased uptake of financial services (22% per data from follow-up) Loans taken for income generating activities

Client case studies

Mina Devi, who lives in Bejalpur village, attended the financial literacy training with her daughter-in-law. Her husband and son are daily wage laborers, and Mina had wondered why, despite having two family members earning an income, their family remained trapped in a debt cycle and not able to enhance their quality of life.



On attending the training, our trainers reported that Mina was immediately responsive and receptive to the content of the various modules. She demonstrated excellent understanding of the concepts of financial planning, savings, debt management, etc., and she was able to begin applying some of these concepts to her own household finances. She realized that savings could be an immediate step to a more financially secure future. She also took immediate action by enrolling her husband and her son in a life insurance policy to protect their household from any risks related to their jobs as laborers. Mina now manages a small grocery store that she opened to augment her household income, with plans to make some modest and safe investments in the future. She told our trainers that she is determined to run her business using the tools she acquired as a result of the training.

Laxmi Devi and her husband operate a gas welding workshop from their home in Barasti Bazaar village, Jaunpur, where they earn daily income of Rs. 500 – 600. They want to be able to secure the financial future of their children and also wish to renovate their home and workshop to make it better and safer for gas welding. However, their income from welding is seasonal and can be unpredictable, so they have been unable to save money toward the renovation. Through her participation in the financial education training, Laxmi has been able to apply the concepts of long term, mid-term, and short-term goals to strengthen the financial management of their household and business. She told our trainers that she identified the renovation as a mid-term goal, because although it will take considerable savings to complete it, a better workshop will enable her and her husband to offer more diversified services and be able to increase their income by serving a wider set of welding needs in the village.



Because of the unpredictability of her household income, Laxmi has decided to apply the daily savings method she learned through the program to her financial planning. She is now managing her expenses accordingly, with the goal of saving Rs. 200 each day. Her near-term goal is to save a total of Rs. 6,000 in her bank account, which will eventually be used toward the workshop renovation. After earning about insurance schemes through the financial education program, she has enrolled her husband in Pradhan Mantri Suraksha Bima Yojana

(PMSBY). Laxmi told our trainers that she believes her mid-term goal of renovating her shop and expanding the business will serve her long-term goal of putting her children through higher education.

Partner financial institution level

Over the duration of the FE project, Utkarsh continued to pursue its strategy of rapid growth, through new client outreach especially in rural areas in India's northern and central belt. From the time of the project inception in 2014 to the project closure in March 2017, Utkarsh's JLG client base grew by more than 300%.

Utkarsh does not take deposits. Utkarsh has two loan products: a joint liability group (JLG) product and a micro-enterprise loan (MEL) product. Both the JLG and MEL loans are paired with compulsory insurance for the life of the loan. Utkarsh does not offer insurance products independent of the loan products.

Key Indicator	Year 0 (2014)	Year +3 (March '17)
# of clients, JLG portfolio	272,534	1,154,768
% of women clients, JLG portfolio	100%	100%
% of rural clients, JLG portfolio	82%	93%
PAR-30, JLG portfolio	0.01%	14%
# of clients, MEL portfolio	1,537	15,638
% of women clients, MEL portfolio	32%	14%
% of rural clients, MEL portfolio	0%	0%
PAR-30, MEL portfolio	0%	3%

Our project team is pleased to note that the financial education activities will continue at Utkarsh, as through the completion of the project, Utkarsh now has a cadre of financial literacy trainers and the internal capacity to train additional trainers in the future. The financial education hotline team has since expanded into a full-fledged call center, providing critical support for customer engagement across Utkarsh's financial service offerings. As the institution's rapid growth continues, client education and client engagement will remain key components of Utkarsh's business model and offerings to its customers through the Utkarsh Welfare Foundation, in keeping with its mission of seeking both social and financial impacts.

4. LESSONS LEARNT

Training session frequency: Over the first six months of the financial education program implementation, participants received training on a weekly basis, one module per week. This proved to be a challenging schedule for the participants to keep, as they reported forgetting to come to trainings in subsequent weeks and having other time commitments, household chores and other tasks. Under the weekly schedule, participant drop-out rate was about 35%. The training format was changed to a more intensive three consecutive days, and this greatly reduced the participant drop-out rate to a range from 4% to 6%.

Creating financial product linkages: Overall, the Utkarsh trainers found it difficult to assist the participants in developing financial linkages to products and services offered by providers other than Utkarsh. In addition to the Utkarsh loan products (joint liability group and micro-enterprise loans), participants also sought to participate in savings, micro-pension and micro-insurance schemes offered by government agencies and post offices. Some women were refused participation in these schemes even following the training.

Reinforcing key messages: Utkarsh trainers observed a need to reiterate concepts with the participants and to create awareness of the program and its core concepts at the village/community level. Our team would recommend a few added mechanisms to achieve these ends, including implementing a daily SMS message to participants, creating a dial-in program, and equipping Utkarsh loan officers to reinforce key takeaways and promote the branch trainings in each community.

Adding information on government services: The existing audio/visual aid, flip charts, and games should be modified to include information on the importance and accessibility of government schemes such as PMJDY, micro-insurance, micro-pension, etc.

Matching training methods to group size and setting: Our team found that while using laptop computers to display course content videos is an effective methodology, the effectiveness is curtailed if the batch size is too large (more than 20 people) or if the training venue is outside.