

**DIGITAL FINANCIAL EDUCATION DELIVERY FOR LEAD FOUNDATION'S CLIENTS****1. FINANCIAL EDUCATION CONTEXT**

With 99.4 m. Habitants, Egypt is the most populous country in the Arab world. Most of the country is desert, so about 95% of the population concentrates on a narrow strip of fertile land along the Nile River, which represents only about 5% of Egypt's land area. Egypt's rapid population growth – 46% between 1994 and 2014 – stresses limited natural resources, jobs, housing, sanitation, education, and health care. Poor living conditions and limited job opportunities have contributed to public discontent. These socioeconomic pressures were a major factor leading to the January 2011 revolution that ousted President Hosni Mubarak. The uncertain political, security, and policy environment since 2011 has restricted economic growth and together with an inflation rate that rose above 30% during 2017, failed to alleviate persistent unemployment, especially among the young<sup>1</sup>, making financial and entrepreneurial literacy, together with access to financial services, a huge need in the country.

Egypt does not have a unified strategic plan for financial inclusion. There exist scattered efforts and initiatives in that field for example: the Central Bank of Egypt is working with banks on the innovation of new products to reach the unbanked, the Egyptian Banking Institute along with its partners are working on the awareness, and financial education of the youth and children and other NGOs are working on initiatives for SMEs, empowering women financially and microfinance. Egyptian women represent a big part of the society, yet they suffer more from poverty and low participation rates in the labor market, so financial inclusion (and financial literacy) is necessary for them. The percentage of individuals having a bank account in Egypt is only 10%.<sup>2</sup>

Money management is an issue of special concern in Egypt, a country facing recent political, economic and social challenges, growing inflation, and mass advertising, which encourages the population to buy more and take out loans to finance that consumption. These factors result in lower levels of saving, a higher risk of becoming over-indebted, and serve as an impetus to look for better economic opportunities abroad.

**2. INTERVENTION APPROACH****Financial literacy needs assessment**

Most LEAD Foundation (hereafter LEAD) clients and employees shared common challenges and interest, related to money management:

- Low income and saving levels in the face of rising costs of living, a reduction in economic activity, and rising inflation, all of which impact living conditions and increase their financial stress.
- Most clients lack financial skills/knowledge about how to set a budget, saving goals, and managing loan planning to avoid the risk of excessive debt. Even those who have financial skills often lack the discipline to avoid unnecessary expenses, separate business and household expenses, and keep track of their expenses, resulting in low saving levels.
- One key limitation is the lack of quality financial education which promotes the retention of learnings and the motivation to apply good financial behaviors after the training.
- The time availability of clients to attend financial education (FE) training is another challenge.
- LEAD staff also face the challenge of handling several parallel activities that impact their time available to deliver and provide follow up for FE training.

**Ten key areas were identified to work for the delivery of financial education:** first the e-learning must be short and engaging and second stories promote retention and motivation to apply the learning. The modules selected for development were: (1) expense management, (2) savings planning, (3) budgeting, (4) loan management, (5) selecting a financial institution, (6) managing debt problems, (7) calculating

<sup>1</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/eg.html>

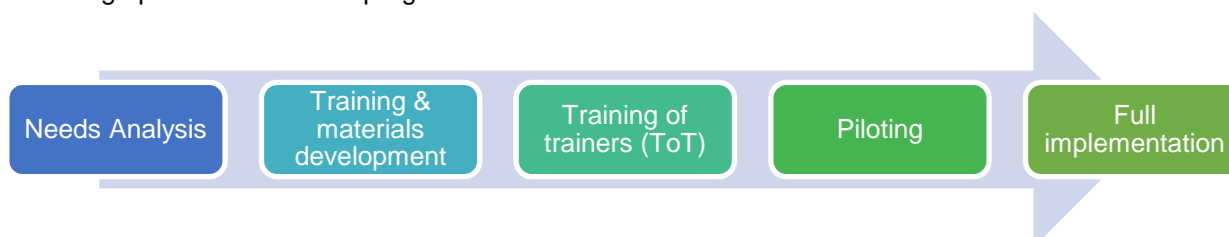
<sup>2</sup> <https://www.oecd.org/daf/fin/financial-education/National-Strategies-Comparative-Tables.pdf>

payment capacity, (8) credit bureaus (IScore), (9) micro insurance concept and (10) micro insurance benefits and claims processes.

As general literacy levels in the country are rather low, the FE eLearning modules were designed in a graphic and intuitive format (including animated videos) to communicate FE messages. Animated videos (in the local Arabic language) were best-suited to target clients for the FE program as well as best communicated key messages on a wide scale.

### 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 programme was to offer FE training to 10'000 LEAD clients to help them better evaluate their business, give them the tools necessary to make smart financial decisions and raise savings. To accomplish these aims, the consultancy team led by Juan Vega, created the following FE training materials in coordination with LEAD staff:

- Ten animated videos in Arabic and English, one video for each area identified during the FE needs analysis.
- Eight interactive eLearning modules.
- A trainer's manual for LEAD trainers to deliver FE training.
- Training of trainer's presentation to reinforce the information in the trainer's manual.
- A follow-up and data reporting system, plus a final evaluation of FE effects on clients trained.

This was the first time that LEAD used videos and interactive digital training materials to train clients on FE. To avoid being copied by competition LEAD decided that the digital FE would initially be distributed through branches and not through the internet.

The key milestones and goals of the project, as originally envisaged, along with their achievement status and relevant timeframes are presented in Table1.

**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 evaluation.	Oct. – Nov. 2018
Training tools development	100% achieved	Ten animated videos, and eight interactive FE eLearnings (10 elearnings were initially developed, but the content of 2 of were consolidated considering the available time of clients to attend the trainings), an FE trainer's manual and training of trainer's presentation were all developed <sup>3</sup> and delivered to LEAD.	Dec. 2017– February 2018
Training 50 staff training	100% achieved	60 LEAD staff members (including the FE champion) were trained on delivering FE training sessions through three trainings of two days of on-the-ground training.	March 2018
Pilot launch in 4 branches	100% achieved	Pilot FE training occurred in 4 LEAD branches. These training sessions were led by LEAD staff who had undergone training. Following the pilot period, results from the pilot were obtained and assessed to improve trainings and materials.	April 2018 - Sep. 2018
Roll out in 14 branches and Target 10'000 individuals financially educated	100% achieved	This target was achieved with 18 branches that delivered FE to 10'040 clients of LEAD. The FE supported the roll-out of the Hemayat/CareGiver microinsurance at Lead Foundation. Two microinsurance modules were developed. The low income and saving level of clients required to complement the insurance component with non-insurance aspects.	Oct 2019 – May 2019

<sup>3</sup> Note that all materials were first developed in English and then translated into the local language (Arabic).

The project set a goal of training 10'000 clients and potential clients. Between April 2018 and May 2019, LEAD trained 10'040 clients, 100% of the target amount. To achieve these numbers, LEAD dedicated 60 trained staff members in 18 branches and named one FE champion, giving each staff, and branch, a monthly target for number of trained clients/potential clients. The target accomplishment was monitored on a monthly basis.

### Partner financial institution

LEAD was founded in 2003 as an Egyptian Not-for-Profit Microfinance Institution under NGO Law and also regulated by the Egyptian Financial Supervisory Authority. LEAD is a double-bottom-line microfinance institution, whose mission is to “provide poor and low-income entrepreneurs, especially women with sustainable access to quality microfinance services that address their needs and build their capacity”. LEAD 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. LEAD’s core values are self-defined as integrity, trust, partnership, and transparency.

LEAD has grown tremendously and now ranks in The Mix Market (2018), as the second-largest (in terms of client’s outreach) microfinance institution in Egypt, LEAD has a 19% share of microfinance borrowers in Egypt (as based on client’s outreach). LEAD serves its clients through its network of 20 branches

## 3. RESULTS ACHIEVED AND NOT ACHIEVED

### Client level

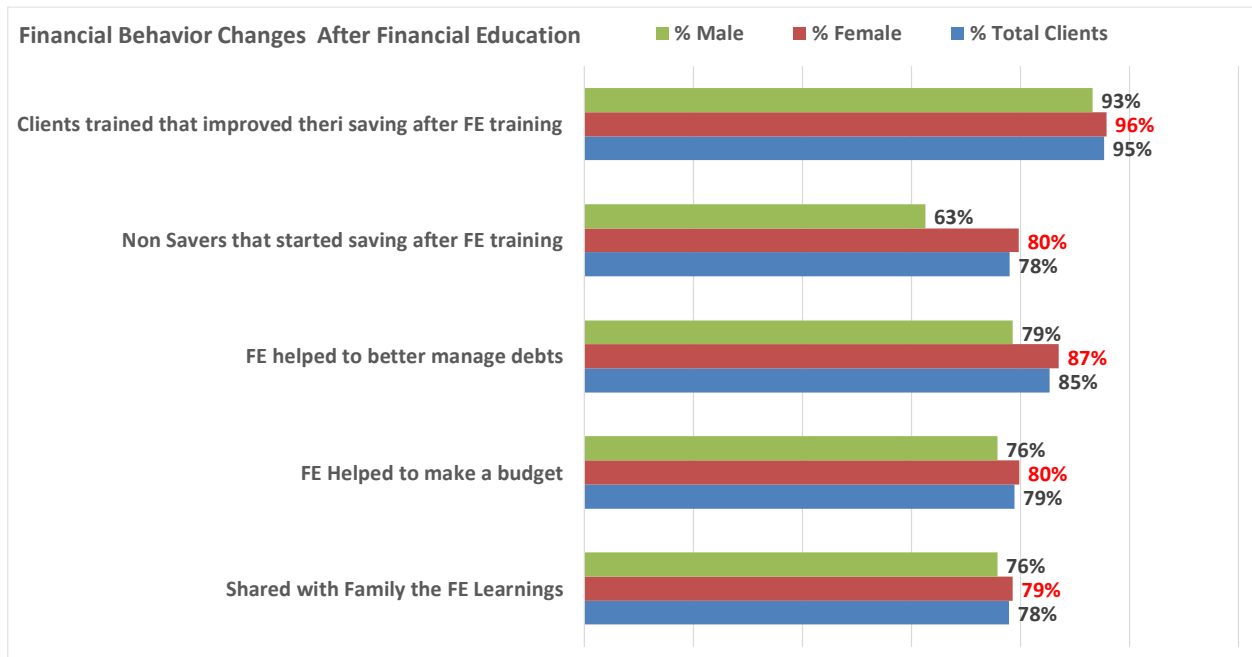
To measure the impact of the FE program on clients, a client survey was conducted in July 2019. The survey included 402 FE training participants (95% confidence level). The survey revealed that most participants rated their satisfaction level with the FE training as high or very high. Table 2 presents insights from the survey.

**Table 2. FE intervention impact**

FE intervention	Change in financial literacy	Behavior change(s)	Impact
Training of trainers	LEAD staff learned key FE messages, including increasing savings, reducing expenses, educating clients about loan utilization, microinsurance and credit bureaus.	<ul style="list-style-type: none"> <li>LEAD staff implicated in the FE program adopted better financial behaviors and shared key FE messages with family, friends, and clients.</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 Egypt well beyond initially-set targets.</li> </ul>
Interactive FE eLearnings, featuring video cartoons and key messages, delivered at branches by trained staff of LEAD.	Participants learned simple financial concepts, including ways to reduce spending and how to use a budget, debt management, and insurance benefits.	<ul style="list-style-type: none"> <li>79% of survey respondents reported improving their money management behaviors, especially regarding reducing unnecessary spending (prioritization) and implementing expenditure monitoring.</li> <li>Trust of clients in the benefits of FE demonstrated by 78% of clients sharing their FE learnings with family and friends</li> </ul>	<ul style="list-style-type: none"> <li>Stabilized cash flows, reduced expenses and increased disposable income.</li> <li>78% of non-savers started to save after FE training.</li> <li>80% of respondents with saving prior to FE training increased the amount that they save.</li> <li>The increase in savings reduced the probability of facing debt problems.</li> </ul>

FE impacted more positively women's financial behaviors (see Graphic 1). It is especially noteworthy that 80% of female non-savers started to save after FE training, compared to 63% of men non-savers.

Future FE training may well complement initial FE with new trainings in the topics of a) making a business plan, b) developing a business/ sales improvement, c) making cash flow, d) digital financial services and probably f) the risk of taking loans from money lenders at a high-interest rate. LEAD expressed to SCBF its interest in developing the previous subjects to keep financially empowering its clients.



### Client profiles and stories



**FE improves debt management. Zakia Abdul Tawab** is a mother of 4 children who works in selling readymade garments. Before FE, she took loans from 5 institutions and had problems repaying her loans as her expenses were much higher than her revenue.

After taking the FE program with LEAD, she started to understand and changed her bad financial habits. She partnered with her mother who is selling grocery products, to increase her income and repay all her debts. Now Zakia has only 2 loans and has increased her income and started to save.



**FE improve business and savings. Hassan Marzouka** is a widow and mother of 2; after the death of her daughter in law she takes care of her grandchild. She worked selling potato sandwiches in the street and with the revenue she paid all her family expenses, but she could not save any money.

After taking the FE program with Lead, she started to think differently about how to increase her income so with her last loan she bought a swing for children and stopped selling potato sandwiches, instead reselling grocery products to her friends and neighbours. Now Marzouka is happy because she increased her income and is saving money.

### Partner financial institution level

**Table 3. LEAD Operational Data**

Operational Data	October 31, 2018	October 31, 2019	Growth Rate Year on Year
Gross loan portfolio (USD million)	28'977'789	34'067'645	17.6%
Number of clients	201'557	203'147	0.8%
PAR 30	1.35%	1.06%	-21.5%
Women clients	87%	85%	-2.3%
Average Credit (USD)	144	168	16.6%

Between October 2018 and October 2019, LEAD showed 17.6% growth in its loan portfolio and a simultaneous reduction in its portfolio at risk (PAR 30) from 1.35% to 1.06%.

Clients trained at branches of LEAD by trained staff



LEAD management reported an overall positive impact since the inception of the FE program. This includes LEAD staff members sharing the FE learnings with family and friends and applying FE key messages in their own lives as well as positive comments received from clients.

The positive results, as well as LEAD's dedication to increasing financial literacy in the country, gave LEAD the impetus to take ownership of the FE program and continue it into the foreseeable future, incorporating new subjects related to business management.

#### 4. LESSONS LEARNT

The overall design and implementation of the FE programme was effective, which is shown by the results both in terms of the number of clients/potential clients trained as well as in terms of changes in financial behaviour indicated in the survey. The FE programme implemented with LEAD brings the following lessons:

1. **Involvement and commitment of key staff at different levels of the MFI is vital to FE's success**
  - a. MFI's CEO/management team, is a key factor in supporting and motivating the implementation of the FE campaign.
  - b. A designated, committed FE champion with decision-making authority is critical to for sustainability
  - c. A minimum number of FE trainers, with clear targets and incentives assigned per branch, is necessary to make FE happen at the field level.
2. **Invest enough time and follow up, to make sure the materials, videos, characters, and content of FE is adequate for different segments of clients:** the learning stories and videos must be memorable and the interactive eLearning should be highly graphic and intuitive to promote remembering and motivation to apply learnings.
3. **Develop an engaging training and motivation with future trainers of FE, showing the advantages that the FE can have in their own lives:** make FE relevant for trainers to promote "leadomg by example", with the trainers showing examples of money management practices and savings improvement from their own lives to inspire clients.
4. **Assure minimum training/learning conditions for clients and trainers:** ensure the needed space and equipment – TV, projector, computers, mobile devices in a quiet learning environment– is provided. Assign and train at least one person per branch who can help guide the clients' reflections.
5. **Deliver simple, useful, engaging/relevant and applicable FE content to clients** featuring:
  - a. **Real-life money management advice/situations** promote financial reflection on stories and videos to build memorization and motivation to apply and share learnings at home and work.
  - b. **Short, well-designed stories, featuring key messages** remain in the minds of participants long time after the training, motivating clients to make better financial decisions.
  - c. **Group reflection guided by trainers through questions and adult interaction techniques** motivates learners to exchange, learn and apply FE best practices (reduces unnecessary expenses, increases savings and productive loans, for a better money planning and control).
6. **Use feedback from clients on materials, training, and effects of FE** to improve trainings.
7. **Consider productivity rates when forecasting results, and clearly define:** the number of trainers involved in which MFI branches and for how long, number of sessions with projected client attendance per session, and the number of staff involved in the follow-up.

#### Characters from the FE Videos

