

Financial literacy for poor

With support from Citigroup Foundation, the *financial literacy for the Poor Project* has developed a financial literacy curriculum targeted at low income households in developing countries.

Careful management of what little money they do have is critical to meet day-to-day needs, cope with unexpected emergencies, and take advantage of opportunities when they come along. The bad news is that the poor too often lack the knowledge and experience they need to be these careful money managers.

The purpose of financial literacy is to teach people significance of money and how to manage it wisely. It offers them the opportunity to learn basic skills related to earning, spending, budgeting, saving, and borrowing. The benefit is that when people do become more informed financial decision-makers, they can plan for and realize their goals. Moreover, once people have acquired financial literacy skills, those skills cannot be taken away. A one-time course in financial literacy can have lifelong rewards.

Financial literacy is relevant for anyone who takes decisions about money and finances. Women, in particular, often assume responsibility for household cash management in unstable circumstances and with few resources to draw on. Financial literacy can prepare them to anticipate life-cycle needs and deal with unexpected emergencies without assuming unnecessary debt.

SKS as part of the ultra poor program started giving the financial literacy to the beneficiaries of the its Ultra poor program; the program being divided into three basic parts

- a. Understand the members income and expenditure patterns
 - Asking and pertaining information about the members weekly income from various sources and the expenditure on various items
 - Encouraging them to save excess money available with them
 - Getting the actual income and expenditure from the asset / enterprise supported by SKS
- b. Explain the process of 'Budgeting'
 - Prepare budget based on their regular sources of income
 - Preparing them to envisage their future needs
 - Facilitating them to setup financial goals
- c. Explain about importance of savings and its needs
 - Prepare them to save to reach their financial goals

Program Managers of the SKS ultra poor program attended the 8 day 'financial literacy for poor' work shop organized jointly by **Freedom from Hunger and Citigroup**

foundation, after attending that workshop both the program managers made some local adaptations to suite the curriculum so that it could be easily understood by the illiterate Ultra poor beneficiaries.

Financial literacy to Ultra Poor beneficiaries

SKS is providing financial literacy to Ultra Poor beneficiaries along with enterprise training at the center meetings on weekly basis.

Adaptations

Sequence of conducting the sessions was slightly changed as most of the members in the program are ultra poor and they don't have regular income or any financial goals so the process was started from cash flow to give them an idea of what is their present income and source of income and what is there expenditure and on what things they are likely to spend most.

HOW THE BUDGETING-LEARNING SESSIONS ARE LINKED

- the first Topic introduces them to cash flow that explains how to identify income and expenses
- the second Topic defines budgeting and identifying steps for making a budget, and usefulness of savings to cope with the unforeseen events
- Third Topic allows participants to set their financial goals and also how to use the cash flow and budgeting to achieve the financial goals.
- Fourth Topic explains better financial products, good loans and bad loans, good investments and better cash management

Topic 1: Income and Expenditure (Cash flow)

Purpose:

To create awareness of their income and expenditure, prepare budget, keep control on unnecessary expenditure, and increase savings habit.

Process:

FA will provide this education to members at weekly center meetings

Topics:

- Income and Expenditure

- Budgeting
- Study on food expenditure
- Savings

Material:

- Charts
- Money (dummy notes)
- Formats

	INCOME			EXPENDITURE	
1	Opening balance of previous week		1	Enterprise expenditure	
2	Enterprise income		2	Food expenditure	
3	Member's other income		3	General items	
4	Other family members income		4	Medical expenditure	
5	SKS grant / Allowance		5	Loans / SHG / shop credits	
6	Loans / SHG / shop credits		6	Other expenditure	
7	Other income		7	Savings	
				Closing balance	

Methodology:

FA will explain the purpose of the session, discuss members' expenditure and income of the previous week, involve other beneficiaries in using chart, and record the income and expenditure on format.

Updates:

Duration: 3 months

Activity: Recorded and taken income and expenditure for all members in the village, recorded their notebooks, and prepared consolidated reports on monthly basis

Consolidation: Prepared quarterly consolidated reports from Dec 07 to Feb 08 for all beneficiaries

Review: Reviewed the consolidated reports with beneficiaries, discussed expenditure, loans, and savings.

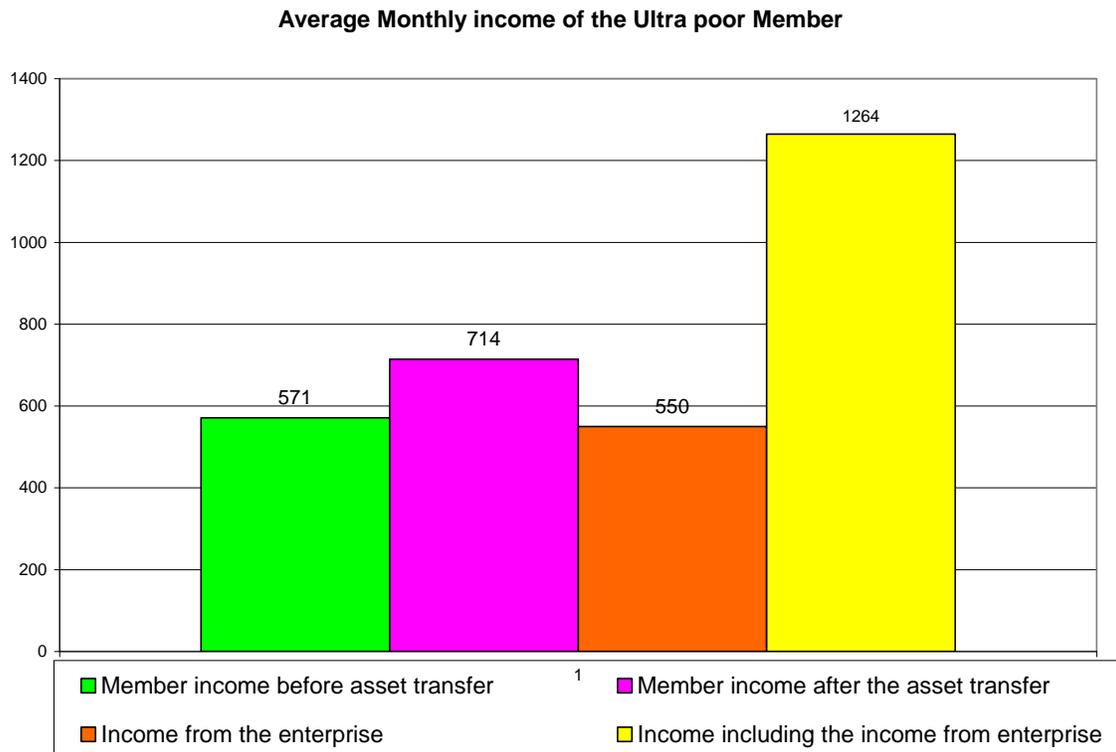
Outcome:

- SKS able to understand members income and expenditure
- Members become habituated to ask price of their purchase with shop keepers
- Some members started keeping records of their income and expenditure with the help of their school going children or neighbor's children.

- Beneficiaries started keeping a memory of their expenditure
- Some of the beneficiaries hesitated to tell their personal expenditure such as liquor, pan, tobacco, gutka.
- After lengthy discussions some of the beneficiaries changed their behavior and stopped / reduced the unnecessary expenditure on tobacco and liquor.

Income

As part of this exercise SKS Field assistants started collecting the member's income and expenditure details before the member received the asset and started enterprise.

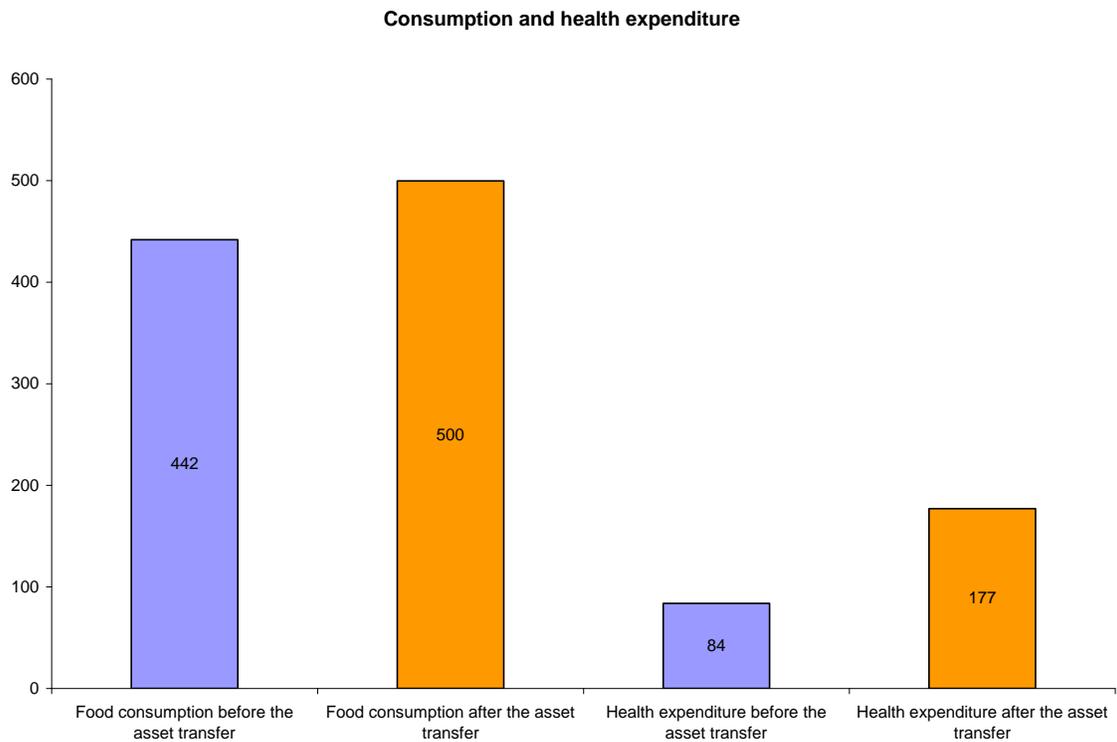


The above graph shows that the average monthly family income of the beneficiaries across the program area before the asset transfer is just Rs.571 and after the asset transfers and regular encouragement from the FA's to save, and also motivation by other beneficiaries of the group they and the other family beneficiaries started working more number of days that actually helped the average family income increase by 25%.

Most of the Beneficiaries started earning a good amount from their enterprises immediately after the asset transfers as SKS carefully selected the assets which would enable them to receive returns very soon after receipt of asset. The Average income from the enterprises across all beneficiaries per month is about Rs.550. However, for the beneficiaries who choose enterprises like Goats and pigs, earnings will be delayed and dependant upon sale of calves once they attaining a certain age i.e. at least 6 months.

Expenditure

Field assistants collected the expenditure details including expenditure on loan repayment and spending on health care and food consumption.



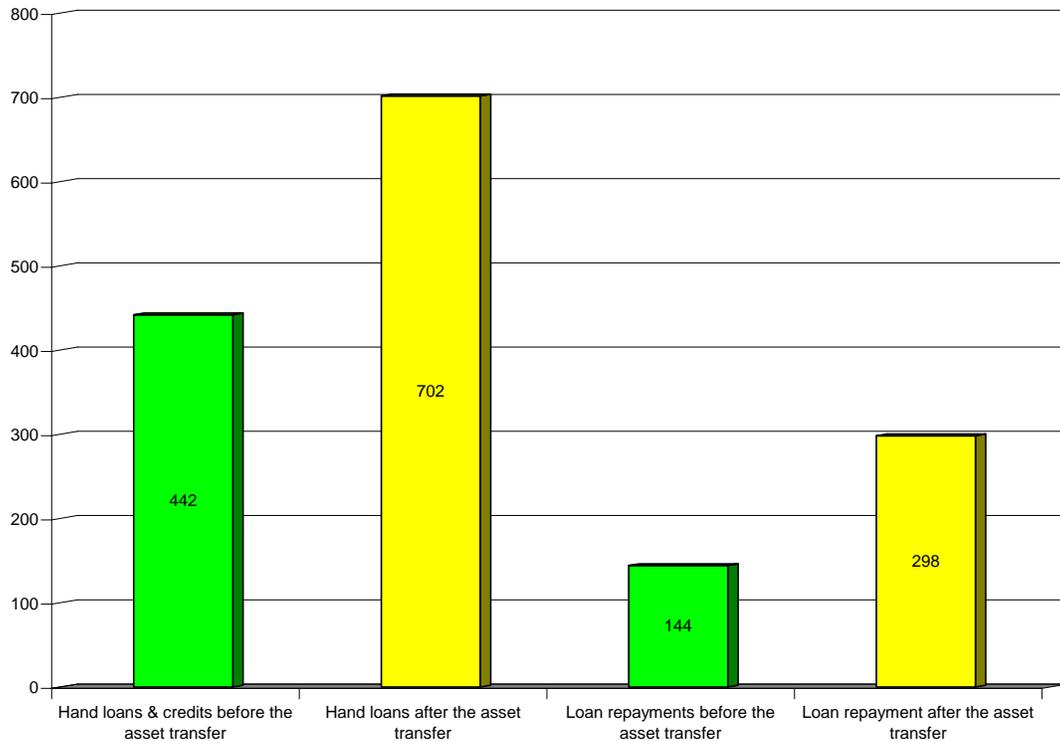
By observing the above graph we can observe that beneficiaries started using the increased income for the betterment of their consumption as before assets transfer even though their income was less they were spending about Rs.442 towards purchase of items for consumption but after asset transfer and increased income they started spending about Rs.500.

The beneficiaries also utilize the increased income to improve their health conditions and of their family. In the regular centre meeting Health Field assistant of SKS gives them information about health care and better health care management which has increased the awareness of members on health wherein they started spending good amount on treatment of long neglected health issues.

Loans and Credits

Most of the beneficiaries are dependent on hand loans and credits in the lean season to meet their daily expenditure and the source for the credit are local shop keepers who give them groceries on credit and usually charge higher rate for items sold on credit.

Most of the Ultra poor beneficiaries are in habit of buying groceries from local stores on credit as they don't get the daily wage regularly and even when they work two-three days in a week the payment will be made at end of the week.



The above graph shows the average monthly loans and small credits (mostly interest free) but sometimes if they go for the cash loans from the landlords or from the local shop keepers they are charged heavy interest for delayed repayments.

Topic 2: Budgeting

Duration: 3 months

Purpose: To make members discuss their expenses, focus on planned expenses and prepare for emergencies.

Activity: Discuss and prepare budget for forthcoming week for 2 beneficiaries and record on prescribed format. Review the budget at next week's meeting, discuss variations, and prepare the similar record for other beneficiaries.

Material

1. Chart containing items of income and Expenditure
2. Dummy currency notes
3. Paper

Process: Discuss with 2 beneficiaries their next week's budget and enter into prescribed format. Also discuss about savings to motivate them to increase savings for their future expenses. In the next week to review their budget, discuss variations, and follow similar process for other 2 beneficiaries.



Most of the discussions are based on deviations made by members on their prepared budget due to some unexpected expenditures like health emergencies which enabled us to understand needs of the members and SKS health FA used to conduct talks on issues raised by them and prepare them to use the locally available home made remedies to cut down on costs.

This budget counseling also helped the beneficiaries to foresee expenses and set financial goals and increase their work days and concentrate more on the enterprises supported by the SKS.

This session helped members to think how much expenditure they are foreseeing for the next coming week, and plan accordingly. They also start thinking of future needs.



Chart used for Budgeting sessions in the field clearly shows the income and expenditure heads with all sources of income and heads of expenditure, when one member is explaining her expenditure all other members put the same amount on the corresponding head. This helps all of them to understand about income sources and expenditure heads, value of the currency and counting notes, doing small additions and subtractions using the currency.

Topic 3: Setting financial goals

Duration: 3 months

Purpose: To make members discuss their future plans and helping them to plan for the future and setting their financial goals.

Activity: discussions based on the enterprise ask members for their future goal, and how they want to see the business after one year, and what kind of things they think are necessary to achieve that goal.

Material

1. Paper to write ideas
2. Pens and markers
3. Pictures of enterprise

Process: Every week during the Sangam meeting FA will start discussion on the goals by asking the members to think about the future and how they want to see their enterprise after one year, and how they are planning to achieve that goal.

As most of the women are unable to think about the future and unable to comprehend the planning process, FA gives some examples from the budget session where they have done sessions by planning for the coming week and probe them to plan for the future by asking questions like

- A. How they want to see the enterprise after one year?
- B. What kind of things they need to do fulfill their vision?
- C. How they are planning to get the investment to achieve the goal?
- D. What will be the sources of funds?

This kind of questions will give them some idea about things needed by them to achieve their goal, this exercise in group will bring ideas from different members and FA can guide them to frame clear goals and outline plans to reach those goals.

Topic 4: Financial negotiations / Institutional linkages

Duration: 3 months

Purpose: how to do financial negotiations to attain financial goals, explanation about good and bad loans. Introducing various financial institutions available for members in the villages like Post offices, SHG Bank linkages and Micro finance services and explaining to them about the process of each one to make an informed choice

Activity: discussions based on financial needs, available financial institutions, introducing different loan products and explaining about the loan size and how to use the loans, where to get the loans.

Material

1. Paper to write ideas
2. Pens and markers
3. Pictures of enterprise

Process: Every week during the Sangam meeting FA will start discussions on the member's financial needs, and how they are planning to achieve their financial goals: - if they are planning to take loans, what will be the source of finance.

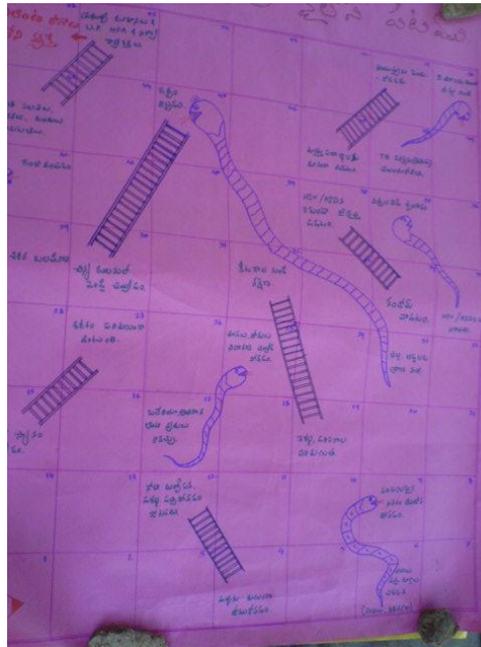
Games

Duration: 3 months

Purpose: to make the discussions more interesting and easy to understand

Activity: Prepare games based on earlier discussions with members about pushing and pulling down factors affecting their enterprises and incorporated in the game of Snakes and ladders, and used similar games for effective understanding of Enterprise developments, improving Health awareness, changing food habits and increase in savings

Material: Game chart



Training Module

Financial Literacy for the Ultra Poor

Training of the Trainers (TOT)

Swayam Krishi Sangam (SKS) India

Overview:

Financial literacy equips the ultra poor with coping mechanisms against income shocks stabilizing cash flows throughout the year and preparing for the rainy day. However little monies of <1US\$ a day, poor can make a decent living by cutting down infectious expenditure and getting access to community financial service products like health fund, savings and rice line scheme.

The module on financial literacy is evolved out of participatory interface in center meetings and household visits that could give an opportunity for worm's eye view of household expenditure patterns, forecasts and coping mechanisms making them more informed financial managers.

The module is highly contextualized to the Graduation Pilot of SKS in Medak Dt. of AP, India. It needs to be adapted by customization to specific local micro level applications.

Training of Trainers:

2 day orientation needs to be given to trainers helping them use the training material and conduct mock training sessions standardizing the timings, use of material and methodologies.

Specific Objectives:

To train trainers who in turn can train

1. To impart skills in the trainees about household budgeting
2. To develop skills to make cash flow analysis and income and expenditure at household level
3. To develop skills to make right forecasting of income and expenditure setting financial goals
4. To build awareness levels about various financial services and products available in the market including government service providers

Output expected out of the training module:

1. Trainers are equipped to make a systematic approach to participatory financial literacy training with a frame work to achieve the above objectives.
2. Every member has household level financial diary week wise noting down what has come in and what has gone out with skills to analyze the reasons
3. Members are equipped with skills to understand and access divergent financial products and services specifically designed for them in the market.

Duration:

2 days of trainings to be imparted to the trainees.

No. of participants per event: 20 members as it is a participatory training program with personal supervision.

Trainees Profile:

Trainees are Field Assistants and Managers who are imparted intensive ToT (Trainers' Training) and are equipped with hardware for training to illiterate ultra poor women. External resource persons can be roped in for specific sessions dealing with insurance and state sponsored programs.

Hardware:

1. White board
2. Charts
3. Wide training hall or open ground in village
4. Flash cards

Soft ware:

1. Snake and ladder game sheets with right pictures pasted
2. Case study sheets with pictograms
3. Post card size pictograms depicting current income and expenditure patterns
4. Real time household budget details of one or two trainees
5. Other resource material mostly in pictograms, visual material
6. Dummy currency (toy currency)

Training Methodologies

1. Snake and ladder game with summary for every move
2. Case studies and experience sharing
3. Expert lecture on services and products
4. Focus group discussions
5. Magic shows on infectious and productive expenditures
6. Role play on good and bad practices
7. Best practices setting

Budget:

Clear training budget has to be worked out

Follow up:

This training needs to be followed up with weekly center meetings wherein the members play the snake and ladder game and other learnings are debated and operationalized.

Training Report:

Detailed training report with all the particulars like no., of participants, resource material employed and outputs need to be submitted.

Training Duration: 2 days :
Session Plan

Day & Session	Title of session	Duration	Objectives	outputs
Day 1: session: 1	Introduction to Fin. Literacy: Ice Breaking	1 hour	To introduce members to induction training	Members realize that there is financial literacy component in their micro economic living
Session 2	Need of Financial Education	1 Hour	Make understand the need of the financial education	Develop interest to know more about the FE
Day 1 Session 3	Income analysis of households	1.5 hours	To analyze typical income pattern of household	Members start realizing the seepage in incomes/expenditure; understand different sources of income in one cross section
Day 1 session 4	Expenditure analysis of household	1.5 hours	To analyze typical expenditure pattern of household	Participants have clear understanding of what goes out; In the process they identify some of the infectious expenditure
Day 2 session 1	Budgeting household cash flows/fore casting	2 hours	To record and analyze a case study of household current week income and expenditure & plan for next week	Participants thinking process moves in the direction of weekly income and expenditure recording and analyzing; noting deviations in plans
Day 2 session 2	Setting financial goals	2 hours	To set case study financial goals of two participants' households and analyze	Participants learn about importance of immediate goals in household triggering work upon it and cutting down expenditures to stay real to the financial goals
Day 2 session 2	Financial negotiations; linkages and service products	2 hours	To introduce to members critical financial services and products	Members learn about micro insurance; micro savings; health fund and about important financial service providers in the State (government)
Refresher Training Program; Duration 1 day` ; with minimum gap of 2 months; FAs practice above module in center meetings also with weekly session planning				
Session 1	Recap about induction training	1 hour	To elicit members' opinion about	Members practically share how they have been

	lessons and practice results		practical utility of different financial literacy lessons	benefited with new learnings/they also share their applications in home
Session 2	Refreshing Income and expenditure analysis	1 hour	To initiate cross member discussions on their respective I&E exercise in real time situation	Members cross pollinate ideas; they go back determined to continue weekly income and expenditure analysis
Session 3	Refreshing Budgeting and forecasting exercise	1 hour	To initiate debate amongst participants if weekly planning of their household economies helps them	Members have clearer thinking in this exercise; they share and learn how other active members are proceeding with it
Session 4	Refreshing on setting financial goals	1 hour	To review how members could set financial goals on weekly/monthly periods	Members cross learn how financial goals can be planned and also they debate over strong reasons for deviations in the plans
Session 5	Refreshing on financial service products and government linkages	1 hour	To review ground level achievements in accessing financial service products	Members learn success stories and case studies of interest amongst the co trainees and reinforce the importance of accessing financial services