



ABRIDGED VERSION

A Change in Behavior

Innovations in Financial Capability

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This is an abridged version of a landscape analysis of financial capability interventions and innovations around the globe, with a particular focus on Mexico and India. Readers can find the full paper, along with FAQs on emerging issues, in-depth looks at Mexico and India, a ‘Catalogue of Innovations’ describing all the examples we considered, acknowledgments and other documents at financialinclusion2020.org.

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1

The Changing Landscape of Financial Capability Building



KGFS field staff in India offer financial counseling to poor rural clients as they deliver financial services, reaching customers at teachable moments. (Photo Credit: KGFS)

Successful financial inclusion requires financially capable consumers who use products actively for their own benefit. A rapidly expanding number of first-time customers, many from traditionally unserved population segments, will begin using formal financial services over the next decade. This expansion offers an enormous opportunity for benefits to both customers and providers, if the new customers can use the products in a healthy, effective manner. On the other hand, lack of customer financial capability can lead to dormant accounts, over-indebtedness and other serious problems.

Today's landscape of financial capability interventions is diverse, with activities led by financial service providers, online services, social organizations, governments and others. The interventions vary widely in aim and method, and current efforts fall far short of the needed scale and impact. However, this corner of the financial inclusion scene is changing due to exciting new developments enabled by research and

technology. Above all, this report highlights a trend, still in its early stages, to tie financial capability interventions more closely to actual customer behavior, especially at critical decision-making moments, such as when a customer signs up for or uses a financial product. This trend builds on insights about how people learn and what support they need to achieve their goals. Expanding this behaviorally-informed approach will require new methods and greater involvement by providers, who are uniquely placed to meet clients at those critical decision moments.

For this paper, CFI carried out a search for effective financial capability interventions around the world, with special attention to Mexico and India. The report speaks to three main audiences: financial service providers, who have many opportunities to support client financial well-being; governments, who can leverage their own consumer touch-points; and actors in the social sector, who can incorporate the practices described here into their work.

Financial capability is defined as the combination of knowledge, skills, attitudes and behaviors a person needs to make sound financial decisions that support well-being.

What Is Financial Capability and Why Does It Matter?

In this study, financial capability is defined as the *combination of knowledge, skills, attitudes and behaviors a person needs to make sound financial decisions that support well-being*. This definition is an emerging view that is gaining deeper acceptance and which focuses on the customer's financial health and well-being. The definition contrasts financial literacy and financial education, which are concerned with knowledge, skills, and information, with financial capability, which encompasses attitudes and, most importantly, behavior.

Financial capability also encompasses the opportunity to apply those behaviors to financial decisions. Skills, attitudes, and behaviors count for little if opportunity is missing. This view opens the concept of capability to include efforts to make financial services available to new customers. Often, capability interventions can—and should—go hand-in-hand with product delivery.

Interest in financial capability is increasing tremendously as providers and policymakers seek to ensure that new customers are capable, especially with rapid introduction of new technologies. The provider case for addressing financial capability rests on the risk reduction, enhanced product use, and long-run opportunity for growth that a capable clientele can bring. The policy case involves the government's role as custodian of a safe and stable financial system that protects the vulnerable. And for the consumer, the case is greater confidence in using financial services in a way that promotes the ultimate outcome—financial health.

From Financial Education to Financial Capability

Until recently, the traditional financial education paradigm dominated thinking, but recognition of the high cost of training, coupled with disappointing results from studies on the effect of such training, led many to see the problem as unsolvable. And investigations of the financial lives of the poor, such as *Portfolios of the Poor* and earlier studies, pointed out that poor people already perform complex financial management. A more customer-centered approach would recognize customers as active agents who come to financial services with pre-existing capabilities and objectives, though they may need assistance in learning how to operate in the formal system.

The fundamental critique of classroom financial education, backed by extensive research, is that information transfer alone does not adequately engage people in the active learning and practice that prompts behavior and becomes habitual. We urge readers to delve into the research cited in the extensive bibliography in the full paper. Numerous studies demonstrate that many participants have a limited ability to process financial education information and the lack of a lasting effect on financial behavior—though some studies show short-term behavior changes.

Financial educators may argue that the information conveyed in most financial education offerings is important and useful, and that a financially literate person (and certainly a numerically literate one) may act in a more financially capable way. While we support financial education, we call for substantial changes in the way it is applied, and more



Building financial capability is especially important for populations that have little or no experience with formal financial services. (Photo Credit: KGFS)

importantly, we advocate interventions to build financial capability that would not normally be considered part of financial education.

What Does It Take to Build Capability?

Behavioral economists argue that intrinsic human biases often inhibit our ability to make good decisions, even when we know better. People (not just the unbanked) tend to value the present over the future; need frequent reminders to apply what they have resolved; and follow habitual routines to navigate day-to-day life. Research indicates that these biases shape financial behavior:

- ❑ Low financial capability often has more to do with psychology than knowledge.
- ❑ A person's self-confidence, group identity, and ability to process information, among others, have a direct impact on decision-making.
- ❑ Behavioral factors, such as impulsiveness and procrastination, affect our ability to persevere to meet goals.
- ❑ Cultural norms learned from parents and peers also shape financial capability, in both positive and negative ways.

There is a need to design capability interventions that address the knowing-doing gap and take psychological and cultural factors into account to reinforce healthy behaviors for the long term.

Where the Field Stands Today

Just as the financial services world is moving toward technology-based delivery models, an analogous shift is needed in approaches to financial capability. Vital financial learning must be taken to where the customer operates, giving consumers information alongside products designed for their needs so they can put learning into action. Yet, we found that a majority of interventions are still delivered in a classroom or group setting, often because classroom-based education is the method that is most widely understood and easy to implement. The field faces a number of central challenges and opportunities:

- ❑ Learning to apply behavioral techniques (which is the main focus of the next section).
- ❑ Finding interventions that can be scaled without ongoing subsidy. Technology can reduce cost and enable scale, allowing interventions to be justified commercially through improved customer uptake and use of services.
- ❑ Improving metrics on effectiveness of interventions. While there are many high-quality studies, we also found disappointing levels of attention to outcomes measurement. On the whole, providers rely on very basic data points.

Seven Behaviorally-Informed Practices for Effective Financial Capability Interventions

These seven practices are distilled from what is known about how to connect learning with doing. We present them to help financial service providers and financial educators find ways to shift how they interact with customers. References are given to examples profiled in Section III. Please keep in mind that the most effective interventions may use several of the practices at once.

1

Teachable Moments Reaching consumers at the right time is perhaps the core practice for the approach we are discussing, and the right time is when a person is about to make an important financial decision or use a financial service. Research shows that information provided just in time is more likely to be retained and to influence behavior. The teachable moments concept is a strong argument for provider involvement, as providers are uniquely present when customers are using their products. Every customer touch point is a potential teachable moment. The concept also emphasizes targeting people in situations that have specific financial implications—emigrants, welfare recipients, or people in need of medical treatment.

EXAMPLES: Banamex's Saldazo account; Janalakshmi's pilots; KGFS's personal 'wealth management' counseling; Microfinance Opportunities' flip books for front-line staff; Juntos' SMS messages; HelloWallet's connection to employers; LISC's bundling of employment and financial capability services; Geosansar bringing financial services into the workplace; Saber es Poder's work with recent immigrants; KIWI's partnerships with health clinics.

2

Learning by Doing Practice, whether through technology-enabled simulations, or in real life with the supervision of front-line staff, enables customers to overcome the initial barriers to use that come with unfamiliarity and lack of confidence. It is especially important for customer activation. Learning by doing can be supported through groups, interactive games or individual attention.

EXAMPLES: RevolutionCredit's online platform to create budgets; Fundación Capital's ATM simulations on tablets; AgentPiggy's children's budgets; Swadhaar FinAccess (SFA) accompanying clients to agents.

3

Nudges, Reminders, and Default Options Forgetfulness is a universal human phenomenon, and is even more likely when temptation lurks. We intend to save and pay bills on time. But things get in the way, and we don't. Behavioral economists suggest that timely reminders, whether by SMS or in person, can enable customers to stick to their goals more often. Nudges and reminders, when well crafted, are among the easiest and least costly of these practices for financial service providers to incorporate into their operations.

EXAMPLES: Banamex's Saldazo account; BBVA and Tigo partnerships with Juntos; IPA's commitment savings tests; automatic savings deductions through HelloWallet, KIWI, PayGoal.



4

Rules of Thumb (Heuristics) Heuristics are mental shortcuts that help apply learning in real-life. A familiar heuristic for using a screwdriver is ‘righty tighty, lefty loosey.’ Heuristics can make traditional financial education content simpler and more actionable. In fact, the seven practices we are now describing constitute heuristics that you, the reader, can apply when designing financial capability interventions.

EXAMPLES: Janalakshmi and Banco Adopem distilling business concepts and decisions into easy-to-implement action steps.

5

Make It Fun Cognitive research shows that humor activates the brain’s reward system, which is linked to both motivation and long-term memory. Because games are goal-oriented, people may stay interested longer, and games can also be used for learning by doing. This practice also includes drama and storytelling that engage the emotions, which are also linked to retention.

EXAMPLES: RevolutionCredit’s videos; games from Agent Piggy, CRISIL, and Visa (Financial Football); soap operas Scandal and Maketano Junction; Absa Bank’s ‘Shesha’ game encouraging migration to digital.

6

Customize It Tailored interventions may powerfully shift the learning from passive to active. It is one thing to know what a household budget looks like; it’s another to have a tool that simplifies and automates that process. Technology can enable personalized interventions, such as automated analysis of a person’s own financial transactions or the development of engaging individualized charts and graphs. Goal visualization can create motivation when goals are set by the customer. Face-to-face interviews can provide data that informs product offerings appropriate for a specific customer.

Examples: KGFS ‘wealth management’ counseling; Banamex’s Saldazo account; Janalakshmi’s Kaleido framework; Juntos’ tailored SMS messages; HelloWallet’s automated budgets; Moneyworks’ and Level Money’s engaging charts and graphs; SmartyPig’s individualized goal-setting and custom advice; IndianMoney’s call centers.

7

Make It Social Financial habits are learned and maintained through a person’s culture and community. Financial capability interventions can leverage the power of social forces in many ways, through groups, individual interactions and social media. Peer-to-peer support can help individuals overcome behavioral biases, and working with a household or extended family can reinforce a customer’s desired behaviors. The workplace can be a venue to reinforce behavior, as can social media.

EXAMPLES: KGFS’s village-level work with community members trained to share financial information; Juntos’ personalized SMS messages; HelloWallet’s peer comparisons; SmartyPig’s option to post savings to Facebook and Twitter; Moneythink and HERFinance for use of peers.

See the ‘Catalogue of Innovations’ for information on these and other examples.



2

A Scan of the Field—Finding Innovations That Work

Banco Azteca retains a high touch element by training front-line staff to provide basic capability building support to customers. (Photo Credit: Banco Azteca)

We examined models around the world, including both those applying behavioral practices and those that don't. We looked particularly closely at Mexico and India. The diverse interventions range from personal counseling, to mobile apps, to soap operas. The interventions vary widely in quality, scale and potential for replication. (All examples are described in the 'Catalogue of Innovations'.)

Financial Service Providers

Financial service providers are well positioned to design products and embed information into their platforms in a way that promotes better habits and behaviors. They interact with customers on a large scale, and those interactions generate the revenue that sustains the intervention. Moreover, the interactions take place at the 'teachable moments' where interventions can have the greatest impact on behavior. Many banks are concerned that financial capability building will be costly and unsustainable. Examples here illustrate ways in which financial service providers can incorporate financial capability into operations in a cost-effective way. Some offer both scale and sustainability.

Banks in Mexico

We examined three Mexican banks: BBVA Bancomer and Banamex, the two largest banks, and Banco Azteca, a bank specialized in the middle/lower market segments. These

banks began their financial capability work with massive traditional financial education programs providing one-way information delivery, such as Banco Azteca's live 'infotainment' gatherings for several thousand people at a time. Today, while continuing these programs, the banks are searching for more effective product-linked methods. BBVA Bancomer recently partnered with Juntos, to encourage customers to increase their account balances. Bancomer also conducted a behavior change study with a small sample from its financial education program. Over 11 percent of participants reported opening a savings account and 5.5 percent reported obtaining a credit card. Most of these respondents pointed to the workshops as the catalyst for this change (although the metrics do not address the actual use of the products).

Banamex's Saldazo is a transactional account based on a Visa card, with an optional mobile service. It is co-branded with OXXO, the largest convenience store chain in Mexico. The product allows customers to save, check balances, send money, make payments, buy airtime, and withdraw funds at ATMs. By June 2015, over 2 million Saldazo accounts had been opened. Saldazo uses text messaging and a call center to inform customers, answer queries, collect information and encourage product use. Customers receive an SMS after each transaction. Messages encourage account usage and provide tips. They are timed and

Janalakshmi Client, Bangalore, India

Priya (not her real name) arrived at her local Janalakshmi branch with her daughter and granddaughter. Wearing a bright orange sari, she sat down and looked apprehensively at the computer on the table. Priya had just been approved for her first individual loan and was about to spend an hour with a financial counselor. Never speaking above a whisper, Priya explained that her husband had three other wives and she hadn't heard from him in months. Her daughter, whose own three-year-old squirmed in her arms, was present as her co-signer. At first Priya did not understand what 'income' was intended to mean, leading to a discussion on the importance of separating business and personal income. Working with the counselor, she listed all her expenses, which helped her set a realistic savings goal. The counselor will meet with Priya every three months to support her in sticking to her plan. Janalakshmi's program provides Priya with a personalized understanding and visual summary of her financial situation; tools such as a monthly budget and savings plan; ongoing support; and an accompanying loan.

tailored to the customer account lifecycle: new, frequent-use, and inactive customers all receive different messages.

As an example of the potential benefit of this kind of customer engagement, Banamex and OXXO sought to increase use of the Saldazo card at retailers other than OXXO. After Banamex sent a blitz of targeted messaging through the SMS interfaces, card transactions at other retailers increased by 30 percent. The Saldazo account brings additional revenue and generates deposits for Banamex and yields vast amounts of customer information that Banamex and OXXO can leverage. (Practices used: Teachable Moments, Nudges, Reminders and Default Options, Customize It.)

Microfinance Institutions in India

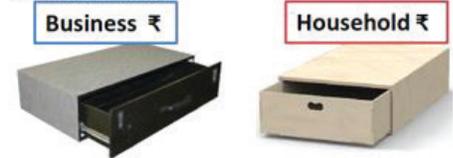
Microfinance institutions (MFIs) serve lower-income customers who are often new to formal banking services. Group-lending MFIs have long integrated customer education into their products, especially because customers must receive upfront training to operate in groups. Groups subsequently provide a convenient social mechanism to help build skills and habits.

Janalakshmi Financial Services (JFS) started financial education with classroom training and traditional approaches, but has recently embarked on a series of experiments using both traditional and new approaches side by side. (Practices used: Teachable Moments, Heuristics, Customize It.) They include:

- Janalakshmi and Innovations for Poverty Action (IPA) launched a program based on simple rules of thumb to reach customers cheaply at key moments. Modules are delivered through eight pre-recorded mobile phone calls. If customers have questions, they can request a call-back from an expert.
- Janalakshmi and CGAP built a tool, Kaleido, to gather household information and provide advice based on the results, while using the data to segment customers and tailor offerings. Kaleido customers undergo an extensive interview and receive immediate feedback.
- In another pilot, customers receive counseling from a trained staff member (see box).

3 easy steps for cash separation

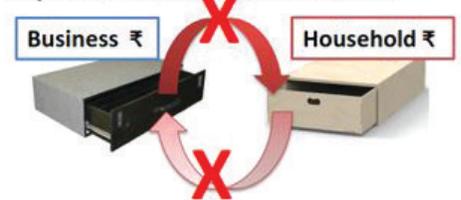
Step 1: Keep two separate drawers for your household and business cash.



Step 2: Pay yourself a salary.



Step 3: Don't mix cash from both the drawers.



This cash separation heuristic is taught as part of Janalakshmi's Financial Heuristics based training curriculum. Practicing the cash separation heuristic allows small business owners to know how their business is doing. (Photo Credit: IFMR-LEAD, ideas42)



KGFS in India uses in-depth household data to customize recommendations of financial products. (Photo Credit: KGFS)

- JFS plans to introduce a program to encourage customers to use debit cards in local stores for bill payment, mobile recharge payments, and money transfers.

The KGFS program, operated by IFMR, operates in three states in India, reaching about 600,000 households. The model delivers a full range of products: savings, investments, short-term and working capital loans, insurance (life, health, and livestock) and pensions. From a financial capability perspective, KGFS is an experiment to see whether field staff can sustainably deliver financial counseling alongside financial services at scale to poor rural customers.

The KGFS model centers on front-line staff, called ‘wealth managers.’ A wealth manager conducts a detailed household interview, gathering information sufficient to create a rough household cash flow statement. On this basis, the wealth manager recommends a suite of relevant products. For instance, an agricultural wage laborer may be offered insurance rather than credit, since his only asset is physical labor. Data captured from customers is used in many ways—from tailoring messages to the needs of individuals or villages; to identifying customers at risk; to providing customer insights to the KGFS partners who supply the products they offer. It is important to note that the wealth managers at KGFS are not incentivized for the sale of products; the metrics used to judge their performance include enrollment rates and accuracy of household information.

KGFS’s model is labor intensive, and relies on costly investment in technology and data analytics. KGFS solves the cost problem by linking financial planning directly to product sales. Branches that meet the model’s enrollment targets generally break even within 18 months. (Practices used: Teachable Moments, Customize It, Make It Social.)

Organizations Working through Financial Service Providers

We are encouraged to see a growing number of organizations, both non-profit and for-profit, that are prepared to help financial service providers integrate financial capability interventions into their operations. Some are consultants in design (Microfinance Opportunities, Innovations for Poverty Action, ideas42, 17 Triggers), while others become third-party service providers that interface directly with the financial institutions’ customers (Juntos, RevolutionCredit). Each organization claims that its methods will generate enough increased usage or savings, or improved underwriting, to recoup the extra costs.

Microfinance Opportunities (MFO) specializes in ‘embedded’ financial education. It works with financial institutions to take advantage of every contact with consumers to deliver or reinforce key money management messages. For example, MFO provides flip books with simple scripts and pictures that equip banking agents to explain products to customers, ensuring

Microfinance Opportunity's flip books equip banking agents to explain products accurately to customers. (Photo Credit: Microfinance Opportunities)



that agents, who may receive relatively cursory training, still provide accurate, consistent and complete information.

In the Philippines, MFO found that branchless banking customers who received training through such flip charts became active users of the service. Preliminary results from MFO's work in Zambia with VisionFund, an MFI, and Zoona, an electronic payments platform, suggest that providing education at specific consumer touch points improves knowledge, skills and attitude towards money management, leading to more prudent borrowing behavior and financial planning. A critical element of this approach entails building the capacity and structuring incentives of front-line staff and agents. (Practices used: Teachable Moments.)

Innovations for Poverty Action (IPA) uses randomized control trials to assist financial institutions in testing behavioral elements in product design. Many of the organizations mentioned in this paper work with IPA to test the efficacy of their interventions. IPA has tested savings product features such as automatic payments, targeted reminders, default options, and commitment devices. (Practices used: Nudges, Reminders and Default Options.)

Roshan, a telecoms company in Afghanistan, deposits up to 10 percent of employees' monthly salaries into savings accounts as a default option, using the Easypaisa mobile money platform, and facilitates employer-sponsored matching contributions. After the introductory

period, 45 percent of employees opted to continue even without incentives.

Silicon Valley-based Juntos pairs information with a product by offering highly tailored SMS messages that enable low-income, often first-time, bank customers to learn about banking services and ask questions based on their real-life needs. Juntos initiates a conversation to introduce the service to the customer via SMS. Designed to seem like a new friend or advisor, initial messages establish trust and demonstrate the features of the service. Customer responses to the messages reveal their financial needs and goals. Juntos uses this information, along with transaction data, to personalize messages so that a rich and tailored dialogue emerges. It hones this dialogue through many small experiments. Because communications go both ways, Juntos also helps providers understand customers. It measures behavior change by tracking response rates and combining that with data on account activity.

Juntos' main value proposition to institutions is that it drives usage after account opening. It is designed to be active over several initial months, after which the impact of the



Afghani telecoms company Roshan automatically deposits a percentage of employees' salaries into mobile-based savings accounts. (Photo Credit: Jan Chipchase)



Juntos provides an SMS-based dialogue with customers tailored to their real-life needs. The text messages are low-cost and encourage customers to work toward their financial goals. (Photo Credit: Juntos)

SMS messages typically drops off. Since Juntos stays outside the providers' core customer tracking systems, little internal change is required to accommodate Juntos. (Practices used: Teachable Moments, Nudges, Reminders, and Default Options, Customize It, Make It Social.)

The data analytics company RevolutionCredit partners with financial institutions and employers in the U.S. for the benefit of the partners' customers or employees, aiming particularly at people with mid-range credit scores (540–740) or no score. RevolutionCredit offers personal financial management modules in the form of interactive 10-minute videos using actors and cartoons and one-minute videos that can be placed prior to a financial transaction. RevolutionCredit takes advantage of natural interaction points—like applications, transactions, and account management. At each point, RevolutionCredit offers a customer a module with a question that signals intent (e.g., 'Do you want to watch a short video on emergency savings?'). If a customer completes the video, RevolutionCredit records this in the customer's file. Over time, a

consumer increases financial knowledge and skills while qualifying for better financial products. RevolutionCredit RCTs have shown that delinquency and first payment default is significantly lower for consumers who complete the videos. (Practices used: Teachable Moments, Make It Fun, Customize It.)

Online Financial Capability and Advice Providers

Free-standing financial capability programs work directly with individuals regardless of the person's financial service provider. Most of these examples are online apps, and in more developed economies they often interact with a user's bank account. While there is a greater incidence of such models in the U.S. and OECD countries, they may inform the design of interventions for other markets as well. We sort these programs into three categories: personal financial management, savings promotion, and information delivery. An advantage of free-standing sites is that they offer unbiased advice. However, they face two core challenges: how to get customers and how to pay for their services. Working with employers solves both challenges, as with HelloWallet.

Achievable goals must be both specific and realistic.

- Click Start to display a goal.
- For each goal, select whether it is specific, realistic, neither, or both.
- Keep going until you correctly label each goal.

Next Goal



RevolutionCredit's 'Goal Slot Machine' allows customers to set specific goals in a fun and easy way. (Photo Credit: RevolutionCredit)

HelloWallet and MoneyMentor offer innovative applications for personal financial management. HelloWallet partners with companies in the U.S., especially large minimum-wage employers, to offer automated financial management support to their employees, addressing issues such as early withdrawal of retirement savings. HelloWallet gives each user a Wellness Score, based on financial activity, debt, and savings. It shows users their spending patterns and calculates how much they need to save for retirement. HelloWallet's behavioral techniques include automated calculation of budgets and transaction tracking, using data from bank accounts. Like HelloWallet, MoneyMentor is an online platform and app with infographics that visualize a customer's finances, advises customers how to cut spending, and suggests financial products. (Techniques used: Teachable Moments, Customize It, Nudges, Reminders, and Default Options.)

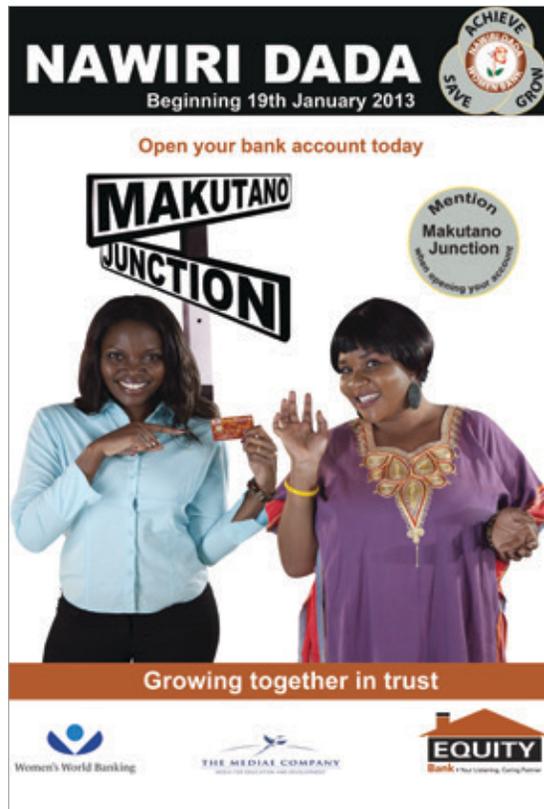
To promote savings, AgentPiggy, a virtual piggy bank from Chile, provides a platform for parents to discuss financial topics with their children and teaches children how to create and work toward financial goals. The

activities prompt learning by doing as children set goals and manage their money. AgentPiggy provides detailed advice to parents, and its tools allow parents to create a starting balance and weekly allowance amount for their child's virtual piggy bank. (Practices used: Learning by Doing, Make It Fun.)

Originally created to help consumers avoid insurance fraud, IndianMoney provides free personalized advice to middle income Indians through a call center helpline. Consumers call with questions about everything from health insurance, to financial planning, to retirement savings. Until recently, IndianMoney connected consumers with service providers only at the request of the client, but it has recently partnered with a bank to offer financial products to clients who complete brief videos. The decision to partner with the bank reflects both a desire to reach more people, and a need for revenue. As of February 2016, IndianMoney had 1.6 million clients. (Practices: Customize It.)

The Potential of New Fintech Entrants

The examples above illustrate the tremendous opportunity for online response to consumers.



'Makutano Junction', a Kenyan soap opera, integrated financial-education messages into its storyline, leading 138,000 women viewers to open accounts during the four-month campaign. (Photo Credit: Makutano Junction)

We would like to see more tech-based entrants, such as fintech start-ups and mobile network operators incorporate features that increase engagement and enhance the capability of customers. Many of them already have at their disposal rich data on client behavior and sophisticated algorithms that could deliver a personalized customer experience. And they have the technology to facilitate real-time interactions with these customers and deliver targeted information at the moments needed. Tanzanian mobile money provider Tigo Pesa's partnership with Juntos is an example of leveraging customer data to deploy mass-customized, automated,

two-way SMS to increase usage and spur loyalty. Another type of example is shown by innovators such as eMoneyPool, Yattos, and Puddle in the U.S., and Magadarsi in India, that digitize savings circles to make them more accessible and transparent.

Mass Media and Entertainment

Drama and stories are powerful means of engaging people in the long-term processes of shifting cultural attitudes and behavior. Emerging evidence shows that incorporating information about finances into a compelling plot or character in television, movies, and comics can be effective in addressing cultural attitudes. Mass media channels are attractive because of their scale. However, because mass media involves one-way communication and diffuse messages, there may be a tradeoff between scale and direct impact. (Practices used: Make It Fun, Make It Social.)

- 'Makutano Junction,' a soap opera in Kenya, integrated financial education messages developed by Women's World Banking (WWB) into its storyline. WWB worked with the show's producers and three banks to launch an accompanying awareness campaign to encourage women to open accounts and to communicate the benefits of formal financial services. Over 138,000 women viewers opened accounts during the four-month campaign.
- To address over-indebtedness, the South African National Debt Mediation Association (NDMA) partnered with Ochre Media and financial capability experts to integrate financial messaging into the popular soap opera, 'Scandal!' The story features a character borrowing excessively and then seeking to manage her debt responsibly. A World Bank study evaluated viewers against those who watched a soap opera with no financial storyline. Results showed an increase in use of formal channels and productive borrowing.

Leveraging Social Connections

Some organizations run programs that leverage social relationships. (Practices used: Make It Social.) These include the U.S. firm Moneythink, which provides financial education using trained college students as teachers for high school students—creating personal relationships between youth of different ages to motivate behavior. Mobile games supplement face-to-face mentorship.

HERFinance, a global pilot program, trains women factory workers to pass financial information to their peers. The program claims significant impact on women's household decision-making saving behavior.

Programs that Link to Social Services

'Teachable Moments' suggests that interventions will be more effective if they are connected to real-life decisions. This points toward opportunities to reach people through social service organizations that work with people in particular situations, whether they concern health, housing, immigration, or simply low income. In some cases there is also a cost advantage from piggy-backing on touchpoints that already occur. We would like to see these highly promising routes to effective scale greatly expanded. Governments have especially sweeping opportunities as many types of government agencies interact with large numbers of people, often at specific, teachable moments. The U.S. Consumer Financial Protection Bureau offers toolkits called 'Your Money, Your Goals' that support social workers in advising clients on financial decision making.

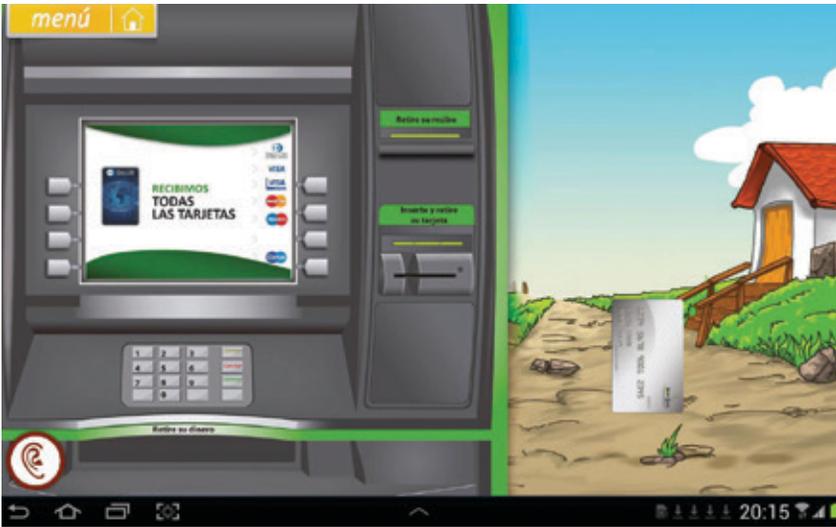
The U.S.-based Local Initiatives Support Corporation (LISC) embeds financial coaching services in the delivery of social services. Their centers provide bundled financial and employment services in 76 communities around the country. LISC's study found that 60 percent of customers either increased their credit score or acquired a credit score for the first time, and nearly 60 percent of those who started with zero or negative net income moved to positive net income. (Practices used: Teachable Moments, Customize It.)



KIWI works with health clinics in Mexico to enable low-income patients to save for upcoming medical procedures. (Photo Credit: KIWI)

KIWI is an online system in Mexico that provides commitment-savings plans for consumers, focused on health-related services (e.g., cataract surgery, diabetes treatment and dental treatment). KIWI links with health service providers to enroll customers who need such treatments, and trains them to enroll customers and explain how the savings plans work. KIWI sends SMS reminders and alerts to customers. KIWI allows clinics, doctors, and hospitals to serve customers who could not otherwise afford their services, while customers benefit from receiving important treatments. (Practices used: Teachable Moments, Nudges, Reminders, and Default Options.)

Fundación Capital assists recipients of cash transfers in Colombia and 11 other countries in Latin America to build financial capabilities. FC developed a tablet loaded with financial education modules and games, including an ATM simulator, which is the most popular element. The content includes both broad financial management habits and tips on use of the new benefit payment cards. Each family in a village keeps a tablet for a few days, allowing users to practice with technology in private. (Practices used: Learning by Doing.)



Fundación Capital's tablet includes an ATM simulator and other exercises that allow recipients of social benefits to learn by doing. Each family keeps a tablet for a few days. (Photo Credit: Fundación Capital)

The Role of Government

Many people see government as having lead responsibility for financial capability building. We argue that there are unique advantages to getting providers more involved, because providers are often the best-placed entities to intervene effectively (at teachable moments), sustainably or at least cost-effectively (through integration into business models), and at scale (through interactions with millions of customers). That said, governments have very important roles.

In recent years, many governments have developed national financial capability strategies that assign roles to various stakeholders. Among the appropriate use of subsidies accompanying these strategies are systematic experimentation, development of know-how by providers, data collection and impact research. In developing such strategies, it is important to involve stakeholders and to take into account their readiness.

An example from Ecuador shows the delicate balance a government must exercise between endorsing a strong provider role in building financial capability and avoiding mandates that are difficult to implement.

Ecuador introduced sweeping regulations for financial education in 2013, requiring financial institutions to educate Ecuadorians on eight topics. While the recognition of the importance of financial capability is praiseworthy, banks were not, in fact, prepared for the mandate, missing the opportunity for the kind of engagement we advocate here. Similarly the Indian government's initial approach to financial capability was to require banks to hold financial education 'camps' that assembled massive numbers of people. Some efforts are now under way, funded by GIZ, to assist banks to make these sessions more effective.

Consumer protection regimes should help consumers protect themselves by teaching them how to comparison-shop, spot frauds, and make complaints. In addition to the direct provision and distribution of information on consumer rights (as does Bank Negara Malaysia, for example), active interventions that employ the practices laid out here are essential, such as the establishment of debt counseling services and using technology to make grievance systems more available.

Many governments are integrating financial education into school curricula. Compared to financial education for adults, financial education for children may have greater long-term effects: it reaches people when habits are being created. However, even here, it would be important to incorporate behavioral practices, such as:

- **Learning by Doing.** IPA demonstrated short term effectiveness for linking education to youth bank accounts in Uganda and Ghana.
- **Make It Social.** A high school financial education program in Brazil showed greater behavior change when reinforced by parental involvement.
- **Make It Fun.** Peru's Superintendency of Banking developed a teacher training program and financial education curriculum throughout primary and secondary schools, and has continually worked to make it fun through stories, games and characters.

3

Six Recommendations



A Swadhaar client visits a local Airtel Mobile Money Stand accompanied by a peer educator. Swadhaar and Accion launched a mobile money pilot with Airtel Money and Axis Bank to enable customers to repay loan installments using mobile money. (Photo Credit: Swadhaar FinAccess)

Promoting financial capability at the base of the pyramid is a task that everyone agrees is essential. But major shifts are needed in the ways resources are deployed—and who deploys them—from strategies that have yielded weak results toward strategies that, while still lacking in scale, appear more promising. Fortunately, we know more about how to build financial capability today than even a few years ago, and many organizations around the world are innovating to apply the learning.

We recommend six major changes in resource deployment and approach that could make an enormous difference. Three of these recommendations relate to **who** is building financial capability. The bottom line is that this calls for ‘all hands on deck,’ with a strong role for providers, as well as governments and organizations that work with the BoP. The remaining three recommendations have to do with the paradigm shift toward behavior, while keeping customers and their needs at the center.

1. Bring financial capability efforts closer to financial services by enabling financial service providers to take a greater role.

Banks already have many of the competencies needed to support customer financial capability—especially in their marketing departments—and financial capability efforts need not be complex and costly add-ons. Here are suggestions for providers, starting with relatively easy wins.

The ‘no-brainers.’ Financial service providers can deploy several proven solutions without investing in deep financial capability expertise. These efforts can pay for themselves in active product use and fewer complaints. Given the vast reach of providers, solutions that they can readily implement are essential for global impact.

Financial service providers can and should take a primary role in building financial capability, as they are uniquely placed to reach customers at teachable moments and to help them learn by doing.

- **Reminders and nudges** are especially effective when they reflect a customer's personal goals. SMS messaging provides an accessible, cost-effective delivery channel.
- **Opportunities to practice** with new technologies help build confidence and bridge the important gap between signing up and actively using a product.
- **Call-in services and pre-recorded FAQs** are an easy and inexpensive way to help customers overcome their initial barriers to product use.
- **Simple products and processes.** Products and customer interfaces and product information should be intuitive, simple, and adjusted to the literacy levels of customers.

Prepare the organization. Going deeper, institutions will need to invest in analytics, product design, marketing, and staff. Many of the required resources are already built into marketing and product delivery budgets and business processes, and therefore, financial capability support can be substantially integrated into existing business models. A few areas for deeper investment include:

- **Customer data analytics.** Most of the successful financial capability interventions profiled here (example: KGFS) are built around capture and analysis of data about customers, which allows tailoring of interventions.
- **Iterative product design.** Many innovations profiled here (examples: HelloWallet, Juntos, RevolutionCredit) build into their business

models the time and resources to test and refine interventions, using techniques such as human centered design (HCD).

- **Financially capable front-line staff.** Investment in the financial capability of staff and agents could enable staff to provide better support to the financial capability of their customers. Scripts and flip books, such as those promoted by Microfinance Opportunities, can ensure that information provided is complete and correct.

Use technology. New technology for communication with customers dramatically cuts costs, allowing providers to incorporate financial capability into product delivery. Many of the apps described here illustrate how technology can be leveraged to nudge and remind customers (Juntos), to deliver financial education messages (Janalakshmi), and, when linked to data analytics, to deliver personalized financial advice (MoneyMenttor). While not all of the world's poor currently have technology access and literacy, the rapid spread of smartphones will soon make more sophisticated interventions feasible in many more countries.

2. Strengthen the government's focus on shared responsibility among stakeholders, in addition to its own role.

Governments should articulate stakeholder roles through national financial capability strategies and provide support to various stakeholders. Government support could be critical in assisting providers to learn how to incorporate capability building elements into their operations. However, governments

should avoid issuing mandates that providers cannot successfully implement. At the same time, there is a unique and important role for governments to incorporate financial education in primary and secondary education. Governments are also well positioned to support mass media efforts such as soap operas. And governments must uphold consumer protection, ensuring that consumers are aware of risks.

3. Engage social service agencies and employers serving the BoP.

Teachable moments for financial capability occur around critical life events. Organizations that accompany people at these times can uniquely contribute to financial capability building. An employer can encourage employees to save for retirement. A hospital can provide financial counseling to a family experiencing a health shock. National financial inclusion strategies should promote such engagement by public and private social service agencies and employers and when digitizing government benefit payments (see Fundación Capital).

4. Incorporate practices that support behavior change into existing financial education.

Financial educators are urgently called on to incorporate the behaviorally informed practices described here into their work. Dreary lectures with one-way information flow, delivered by instructors that are neither very financially literate nor master teachers must go! Many curricula need to be overhauled from top to bottom, and there are myriad opportunities to apply the seven behaviorally informed practices described here.



The increasing availability of technology for communication dramatically changes costs, allowing providers to incorporate financial capability into product delivery. (Photo Credit: Arifu)

5. Measure results rigorously.

Several of the organizations cited above gather data continually and use it to tailor services, refine financial capability tools, or segment customers. Far fewer analyze data to examine impact. We would like to see more efforts such as the research carried out by the World Bank through the Russia Trust Fund, and the many randomized control trials completed or under way, especially through IPA. Governments, donors and investors must also direct resources toward programs on the basis of evidence of effectiveness in contributing to customers' financial health.

6. Foster customer-led financial capability.

As the Financial Diaries and other research reveals, people who operate in the informal sector manage surprisingly complex financial lives. They already have many financial capabilities and their own goals, which may not be those imagined by a program designer. Financial capability interventions are of most interest when they help customers solve problems and get things done. Financial capability intervention designers need to keep this in mind, listen more often, and build in feedback mechanisms to continually refresh the voice of the customer.

Endnotes are available in the full report. You can find more details on all of the organizations mentioned here in the Catalogue of Innovations.

This is an abridged version of a landscape analysis of financial capability interventions and innovations around the globe with a particular focus on Mexico and India. Readers can find the other report outputs (see below) on our website at financialinclusion2020.org.

A Change in Behavior: Innovations in Financial Capability

- ▣ Full Report (60 Pages)
- ▣ Frequently Asked Questions (FAQs)—based on discussions with experts, including roundtables in Washington, Mexico City, and New Delhi
- ▣ Financial Capability Building Practices in Mexico
- ▣ Financial Capability Building Practices in India
- ▣ Catalogue of Innovations
- ▣ Executive Summary

The Center for Financial Inclusion at Accion (CFI) is an action-oriented think tank working toward full global financial inclusion.

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