

Microfinance and Financial Education: Evidences from Europe

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EUROPEAN MICROFINANCE NETWORK

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Foreword

We better call it learning!

If we talk about financial education, what can we learn from history, from looking across borders, from Raiffeissen, Swift and Yunus? The initiatives that led to the emergence of microfinance and the cooperative movement were based on the conviction that people need to be empowered in order to help themselves. Education was central to the development of these movements.

In the early days, microfinance was a learning experience for both the staff and leaders of micro credit programmes, as well as for the borrowers. The staff of these early community development organisations often worked across a number of different areas: health, education, housing or agriculture. The plight of the excluded and poor was the common feature for these organisations. By working with these marginalized populations, the staff and workers of the organisations understood the needs and aspirations of the poor and excluded. There was a mutual learning environment: an environment where both staff and users learned from each other. Participation was a keyword in their strategies. There was a clear understanding that inclusion meant more than just receiving microloans. The promotion and establishment of savings and loans groups were logical steps to take, as were seeking ways to let such small initiatives evolve into cooperatives and credit unions. The eventual ownership of such organisations by the client groups was seen as natural. Yet, the sector evolved in a different direction. Organisations became ends unto themselves and selling microloans became core business. What started as a participative instrument for development with clients as the central focus had become a money driven business. In the process, mutual learning environments disappeared.

However, we remained concerned about our clients and the effects of borrowing. As a result, we promoted the Client Protection Principles, transparency and social performance measurement. It was recognition that microfinance institutions had distanced themselves from their client groups and had forgotten their *raison d'être*. MFIs were mainly focused on extending microloans without asking whether clients were well informed about interest rates and the consequential effects of their actions. From the top-down MFI perspective, many believed that service delivery could be more effective if client were better informed.

Today, we all talk about the importance and focus on financial education. However, financial education appears more as an add-on to lending; as a forgotten service next to microloans,

micro savings, micro insurances, micro pensions and all the other financial services MFIs have created during the past decades. We need to educate people!

Why? To make our target groups to become better clients? Reading this EMN Magazine dedicated to financial education and other papers that advocate financial education might give the impression that the goal is primarily to make clients to comply better with MFI conditions and as a method to lift up people and link more excluded persons to our MFIs. This is not enough in my opinion.

Let us start by acknowledging our integral responsibility to be concerned about the people we intend to serve. Education is then a logical complement of our actions. Financial education will be seen as an integral element of the range of services. It reflects our understanding that the movement needs to take up financial education to make money truly an instrument of development, a process in which once excluded people are actively involved.

If we adhere to the spirit of the microfinance movement as it was in the beginning, it will be logical to invest funds and resources in the mutual learning of both users and staff of the organisations offering microfinance services. A moral obligation we better call financial learning.

The word education indirectly implies that there is a knowledgeable teacher who can instruct a student. To truly promote empowerment as an integral part of the microfinance movement, we believe that creating a comprehensive learning environment is a logical step to take. It is not only a matter of educating microfinance clients; the staff of MFIs need to learn as well. Staff must not only be familiar about the services they offer; they must have a clear picture of the world and understand the effects of their actions. The staff of MFIs must have a view on how their organisations can become an instrument for development and not an end in itself.

This edition of the EMN Magazine must be seen as a contribution to the learning experience. Like clients, EMN members need to go through such learning processes, which will contribute to and be the basis of empowerment. That was the spirit in the early years of microfinance as we have known for centuries and as well understood by Raiffeissen, Swift and Yunus.

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1. Debate

Olivier Jérusalmy

Director of the European Financial Inclusion Network

Based in Brussels, EFIN aims to promote financial inclusion, to increase knowledge and stimulate debate among stakeholders, to benefit from mutual learning, to ensure knowledge dissemination and increase the awareness of policy makers.

To achieve its goals, EFIN publishes position papers, answers to European Union (EU) consultations, gives lectures, creates workshops and European events, and builds bridges and collaborations among stakeholders.

EFIN members represent a large range of stakeholders: consumer protection organisations, MFIs, debt counsellors, trade unions, credit unions, micro-savings institutions, EU networks, and individual experts and academics (www.fininc.eu).

Andrea Baranes

President of "Fondazione Finanza Etica": The cultural foundation on ethical finance and a member of the Banca Etica Group

Fondazione Finanza Etica - FFE (Ethical Finance Foundation) was created in Padua in 2003. It is part of the Banca Etica Group (www.bancaetica.it) and aims to promote networks of new sustainable economies and a new financial and economic culture at the service of society and the environment.

FFE is very active in critical financial education and in shareholder engagement. The Foundation has acquired a symbolic number of shares of Italian companies involved in oil, energy and arms (Enel, Eni, Finmeccanica) to "bring the voice of civil society and Southern campaigns in the assemblies of the most important Italian companies" and to "promote the role of small shareholders and their contribution to business life."

1

In your opinion, what is financial education and what are its main objectives?

OJ. In the financial inclusion perspective, financial education should give citizens the basic skills of budget management and explain the essential role of savings. Financial education should help people understand that financial products and services are complex, potentially dangerous, and advise citizens to look for an appropriate independent adviser when they intend to take a major financial decision (credit, pension, insurance, etc.).

From this perspective, financial education cannot be seen, unfortunately, as a solution to many causes of financial exclusion, for example: when people do not have access to good or fair financial services, or when service providers push people to accept high cost credits that are not an appropriate long term solution.

AB. Financial education should help people with no specific knowledge to understand at least some basic facts and mechanisms regarding financial markets and their instruments. On the one hand, we are continuously flooded with financial information. It is almost impossible to watch the news without having an update on the financial indexes and markets. We are pushed to invest in financial markets whenever we step into a bank branch, in our healthcare system, our pension fund, etc. On the other hand, the vast majority of the population hardly has any knowledge on such issues. This creates an enormous asymmetry of information that has huge impacts on small investors, which are the first victims of any financial crisis or scandal. Therefore, the main goal of financial education should be to elaborate on some instruments to help people to better understand the risks enshrined in the actual financial system.

2

Is financial education the only answer to increase financial capability?

OJ. No. People are "the weakest link" in front of the growing complexity of financial products and services and the increasingly personalized and aggressive marketing method. The EU single market should propose a set of simple products and services to answer the most common needs of the population with fair terms and conditions for products and services such as transactions, credit, saving, pension and insurance.

AB. No, it is quite the opposite in fact. Too often, financial education is seen as a tool to increase the capability of the general public to invest in financial markets.

Italy has recently been hit by several banking crises, in which hundreds of thousands of small savers suffered severe losses, as the money they had invested in shares and bonds of some Italian banks vanished. These same banks, as well as the Italian regulators, had to face severe critiques as they sold - or allowed to sell - such risky instruments to people with no financial knowledge.

In a way, financial education could be seen as a tool to discharge the banks from their responsibilities, as if promoting financial education meant that all clients should be fully aware of their investments and risks. Going even further, in a neoliberal approach, financial education could be seen as an alternative to regulation. There would be no need to improve Market in Financial Instruments Directive (MIFID) or other legislative instruments if everyone would become a financial expert.

In a nutshell, financial education should not teach citizens how to bet on financial markets. Conversely, it has to give small savers the minimal tools to stay away from some very risky financial products and intermediaries. This is why we should probably speak of "critical financial education" to underline the differences and the approach needed.

3

Should financial institutions take on the responsibility of financial education?

OJ. No. In the same way that this is not the role of the food industry to teach us what to eat, or the pharmaceutical industry to tell us how to take care of our health, the role of the financial industry is not to educate their clients. Financial institutions should behave fairly and be responsible for the quality and design of the products and services proposed to the clients. They should adapt products to the needs and profile of the client, in accordance to the regulation and code of conduct. Financial institutions should be invited, by effective monitoring, to limit the level (percentage) of use and access difficulties from their clients (e.g.: defaults, arrears, extra fees and penalties in transactions). These percentages should be controlled by a financial authority to identify dangerous products and services on the market and to design the appropriate answers. They should modify their remuneration schemes so that employees are not incentivized to sell the products that generate the highest fees and commissions (conflict of interest issue).

For MFI clients (credit, savings, insurance, and derived services and products), the process leading to access (or not) financial services or products should be a learning experience. The process should develop the required financial skills of the client in order to maximize the rate of positive results. This includes an in-depth analysis of the client's financial situation, who has to elaborate a budget, assess his/her creditworthiness and understand the liabilities related to the contract. If MFIs do not implement such a method, the designation as an "MFI" should be questioned.

AB. There's a great risk in assigning the duty of providing financial education to financial institutions. They surely have the competencies and the resources to do so, but also face huge conflicts of interest. For example, if my job is to sell the product with the highest commission and I'm in charge of explaining if it fits the buyer's risk and investment profile, there may be a problem.

Therefore, if banks and other financial institutions are best placed to provide financial education, strong rules and controls are needed to protect small savers and reduce the knowledge gap and asymmetry of information. So far, EU Directives such as MIFID have proven to be incapable of limiting the appetite of the financial institutions and intermediaries and close such an information gap

4

Should financial education only be provided to clients or to the general public at large?

OJ. To answer this question, a preliminary set of questions should be raised: what is expected from financial education? If financial education is seen as the appropriate answer to many issues, we have to first identify the issues. Then, for each issue, an in-depth analysis should pinpoint the best (effective and efficient) solution. With this preliminary approach, a more "precise diagnostic" can be made, which should enable the best treatment.

Therefore, because financial exclusion takes multiple forms, each caused by unique reasons, financial education can't be seen as "the treatment." When exclusion is caused by cultural background (different language, consumer habits, etc.), poverty or toxic products available on the market, one can consider that treatment other than "financial education" might lead to better results.

Nevertheless, on a general level, everyone should be able to understand the benefits of saving and the ability to properly manage a budget during schooling: this cannot hurt. Clients should receive personalized, independent advice in order to make the best choice when they take an important financial decision. Financial service providers should be responsive to the quality of their client portfolio and be able to demonstrate they have performed an ad hoc analysis of the personal situation of each client so to propose a good product, which should not lead to financial difficulties.

AB. It should be essential to provide financial education to the general public as well. As mentioned before, the goal should be to help consumers and bank clients protect themselves from the risks of a financial investment, and for the general public to better understand financial products and markets.

5

Who should design financial education programmes?

OJ. Representatives of the civil society, consumers and public institutions. The financial industry should not enter into the financial education system.

AB. It depends on the programme. The government should provide basic financial knowledge to its citizens, while other programmes could come from financial institutions, consumer associations or other organizations. Perhaps, one should start financial and economic education in school, just as we do with history or geography, owing to the fact that is practically impossible nowadays to build culture without having an idea of how the economy and financial markets work. This is certainly a task to be taken by the State or by school authorities.

6

Who should pay for financial education?

OJ. The government should be in charge, based on a levy paid by the financial industry. Financial education does not have to become an activity. Priority should be given to changing industry practices so that the majority of consumers can make decisions on their own or through financial guidance provided by independent advisors for more important decisions.

AB. Financial institutions should provide the majority of funds for financial education. Some programmes could be implemented and paid for by governments or other organizations. For example, if a Tax Transparency Fund (TTF) is implemented by governments, a share of income from the tax could be devoted to financial education programmes delivered by the government, schools, or NGOs and cultural associations. We do not believe that clients should pay for financial education since financial education is not only of interest to investors, but more generally for all citizens. Therefore, it is not necessary for financial education to be an economically sustainable activity, similar to the public financing of schools and education more generally.

This preliminary debate aims at introducing the concept of financial education from a broad and critical perspective. The magazine will try to present the features of financial education, how it can support the empowerment of citizens and illustrate some practical cases of financial education activities provided by MFIs in Europe.

2. Introduction



Microfinance institutions (MFIs) have traditionally provided financial products and services such as the provision of business and personal microloans. However, in recent times, MFIs have been compelled to provide other non-financial services such as financial education, enabling clients to properly utilize their finances to enhance their welfare. What is financial education and why is it important? How is it offered in the

microfinance and European context? And how does it empower consumers? The magazine explores these critical questions in view of encouraging sector stakeholders to pay particular attention to the role of financial education. This is important for clients because financial education helps to choose both the right product and MFI. For MFIs, understanding the benefits of financial education motivates those who are not providing financial

education to do so. This will help MFIs to position themselves and effectively meet the specific needs of clients with the right products and services, all while increasing the transparency and sustainability of the sector. This magazine, therefore, explores financial education initiatives to two MFI target groups: individuals and entrepreneurs. The report is also complemented by impact studies from the South.

The Need for Financial Education

Complex financial markets

Growing competition in the financial industry has led to the introduction of several products, creating a more complex financial market. This complexity causes difficulties in choosing the right institution and product, especially in a context of low financial literacy.

Low level of financial literacy

Studies and surveys conducted in Europe have consistently revealed a worrying low financial literacy among European financial consumers of all ages. A recent OECD (2016) survey revealed that the overall levels of financial literacy, indicated by the combined score on knowledge, attitude and behaviour in OECD countries, are relatively low. On average, only about 63% of adults in OECD countries have adequate financial knowledge. Knowledge of specific financial information such as interest rate calculation is even lower (48%).

High levels over-indebtedness

Another critical need for financial education is the growing level of over-indebtedness. According to the European Commission (EC, 2016), it is estimated that 200,000 firms go bankrupt each year (i.e. 600 per day). This results in 1.7 million direct job losses each year in the EU and is partly due to financial illiteracy. On average, 10% of European citizens are facing different forms of personal over-indebtedness. A study in France showed that employees are more indebted than the unemployed and people living on minimum wage and welfare (Pekkip, 2016). This shows that financial education is required to avoid over-indebtedness not only for the most vulnerable segments of the population, but for all persons, including entrepreneurs.

Aging population and consequent pension reform

The increase in the number of pensioners has compelled governments to shift responsibilities from employers and governments to individuals by moving from defined benefit to defined

contribution¹ pension schemes. This shift in responsibility is to ensure the sustainability of the pay-as-you-go pension system and for individuals to take responsibility of their retirement plan, which requires adequate financial knowledge to manage funds.

Threat of financial exclusion

The Centre of Financial Inclusion defines financial inclusion as access to a full range of financial services and product quality to everyone who can use financial services with financial capability, through a diverse and competitive marketplace. While financial inclusion is nearly 100% in some Northern European countries such as Luxemburg and Netherlands, some Eastern European countries such as Bulgaria, Romania and Greece face close to 50% of financial exclusion.

It is in this context that the need and urgency of financial education has been stressed on various platforms at both the European and national levels. The next section of the magazine introduces the concepts of financial education, financial literacy, financial capability and the links between them.

¹ A defined benefit pension is an employer retirement plan that promises an employee lifelong monthly retirement benefits based on years of service and final salary. A defined contribution pension scheme is where the employer and employee agree to set a percentage of the employee's salary aside and into a pension fund.

3. What is Financial Education?



Financial education, financial literacy and financial capability have often been used interchangeably, however, each of these terms has a different meaning. Typically, financial literacy

and capability are used to refer to the consumer. Financial capability is a result of financial literacy while financial literacy is a result of financial education. In other words, financial

education is an umbrella concept to reach the multidimensional goals of literacy and capability. The table below summarises the relationship between these three terms.

Table 1

➔ Overview of financial education, literacy and capability

FINANCIAL EDUCATION	FINANCIAL LITERACY	FINANCIAL CAPABILITY
Financial knowledge	Know about financial concepts	Ability to access financial services
Skill	Aptitude in managing personal finances	Confidence to apply financial literacy skills to future financial needs
Attitude	Right financial decision-making in line with one's circumstances	Ability to work around cognitive biases when making financial decisions
Behaviour	Effective communication of financial concepts	Ability to access advice and support services

Source: Author's elaboration based on Association of Chartered Certified Accountant, 2014

Financial education is defined by the OECD (2015) as "the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities to make informed choices, to know where to go for help and to take other effective actions to improve their financial well-being."

Financial education introduces MFI clients to proper money management practices such as earning, spending, saving, borrowing, and investment to transform clients from reactive to proactive decision-makers in order to fulfil their financial goals.

Financial literacy narrowly defined involves the acquisition of basic money management skills such as budgeting, saving, investing and insurance. In a broader sense, the OECD defines financial literacy as "a

combined awareness, knowledge, skill, attitude and behaviour required in making a sound financial decision and ultimately achieving financial well-being" (OECD, 2011).

People who go through financial education to develop financial literacy skills are empowered to properly budget, save, control spending, handle mortgages and other debt, plan for retirement and ultimately succeed in accumulating wealth. In defining financial literacy, five key terms are emphasised: awareness, knowledge, skill, attitude and behaviour. These characteristics are essential and the absence of any of these components limits the individual's ability to achieve full financial well-being. For example, the awareness of financial products and services does not guarantee the acquisition of skill, attitude or behaviour necessary to effectively participate and take full advantage of the known product.

Financial capability relates to "the

internal capacity to act in one's best financial interest, given the socioeconomic environmental conditions. It therefore, encompasses the knowledge, attitudes, skills and behaviour of consumers with regards to managing their resources and understanding, selecting, and making use of financial services that fits their needs" (World Bank, 2015).

Financial capability assumes that the individual has full access to appropriate, inclusive and user-friendly financial services.

In conclusion, financial education is provided to improve consumers' financial literacy in order to produce capabilities that are required to make effective financial decisions. Starting from this premise, the next section elaborates upon the relationship between financial education and empowerment.

3.1. From Financial Education to Client Empowerment

Client empowerment differs from one person to another, but it generally indicates the level of confidence an individual who receives financial education attains in order to make sound financial decisions. Empowerment is a process to increase

the ability of clients to make the right choices and turn those choices into desired outcomes. MFIs empower clients through financial education to increase their ability to attain financial independence as the individual moves away from financial instability. The

acquisition of financial capability allows clients to undertake prudent financial management practices and effectively participate in the financial market (World Bank, 2007).

Box 1 - Microfinance client story

Diana is 35 and lives on the outskirts of Lilongwe town in Malawi. Like many of her friends, Diana faces numerous financial challenges in her life. She recalls, "I had no discipline in savings, everything I made I spent immediately, come month end I had no food in the house." Diana began attending OIBM's (Opportunity International Bank Malawi) courses on budgeting and savings in 2008, and they soon became essential to Diana's financial planning. Diana explains, "In the past, I spent without thinking and, at the

end of the month, I would have no money. Once I learnt how to budget, I had a surplus every month. I do not run out of money for food now". Diana also feels empowered by her financial education lessons. She proudly concludes, "Before the financial education lessons, I believed that poor people cannot save. Financial education has taught me otherwise. I opened a savings account with a bank. I save on a weekly basis now".

MasterCard Foundation, 2011

Diana's story provides rich information about the client empowerment process where clients move from an unstable financial situation to develop the required skills and confidence to undertake prudent, welfare-enhancing financial management. This story demonstrates the links between the reception of financial education and the acquisition of knowledge, skills and capabilities to save on a regular basis, which leads to empowerment.

Instead of Malawi, this process of empowerment could have taken place in any European country. Therefore, the South – North relationship serves as a learning platform.

In the empowerment process, MFIs use financial education as an input to provide basic financial concepts, information about products and services and other forms of technical support to clients. In the process,

clients increase their knowledge and skills, change their attitudes and behaviours, and develop the confidence and capability to access financial products and services.

Figure 1 illustrates the client empowerment process from financial education through literacy and capability to consumer welfare.

Figure 1

Process of client empowerment through financial education



Source: Author

In conclusion, empowerment is a process with several interlinkages that aims at the eventual enhancement of client welfare such as improved livelihood, enhanced awareness, reduced over-indebtedness

and increased profitability for entrepreneurs.

The next section briefly highlights how financial literacy has been measured in order to understand the size of

the literacy gap and the appropriate policy response. The section identifies measurement tools that have been created to measure individuals' financial knowledge.

3.2. Measuring Financial Literacy

Measuring financial literacy is important for governments, financial institutions and clients alike. For policy makers, the knowledge of financial literacy helps in designing appropriate policy responses to address the weaknesses where applicable. For MFIs, the measurement of financial literacy is crucial for product design, communication and client outreach strategies. The knowledge of financial literacy and capability is also important for consumers to self-assess what they need to know to effectively participate

and benefit from the complex financial market.

Lusardi and Mitchell pioneered financial literacy measurement in 2006 with three simple questions to test an individual's financial knowledge. This was later built upon by the OECD in 2011. The OECD questionnaire covers the knowledge, attitude and behaviour of clients when undertaking financial decisions. In the context of microfinance, a specific methodology to assess clients' financial literacy has

been developed by the Microfinance Institution Network and Sa-Dhan (India).

Figure 2 highlights the three financial literacy measurement frameworks. While the Lusardi & Mitchell and OECD methodologies have been used to undertake several studies in Europe, the Microfinance Client Awareness index is quite new and has not been applied in the EU context.

Figure 2

➔ Overview of financial literacy measurement methodologies

METHODOLOGY	Lusardi & Mitchell	OECD Financial Literacy Measurement Toolkit	Microfinance Client Awareness Index
FINANCIAL LITERACY CONTEXT	General	General	Microfinance client
COVERAGE	Client financial knowledge	Client financial knowledge, attitude and behaviour	Awareness and computation skills

Tables 2 and 3 provide detailed results of the financial literacy assessment of 17 European countries in the OECD/INFE 2016 survey, which used the OECD questionnaire identified above.

survey on financial knowledge covering issues such as interest rate calculation, risk returns, inflation, etc. of participating countries. The results show that, on average, Europeans have good knowledge concerning the interest paid on loans, the risks and

returns on investments and issues related to inflation but have limited knowledge about compound interest, principal plus interest rate calculation and risk diversification.

Table 2 shows the results of OECD

Table 2

Financial knowledge of Europeans in the 2015 OECD survey

	Interest paid on loan	Calculation of interest plus principal	Compound interest (and correct response to previous question)	Risk and return	Definition of inflation	Diversification
Albania	88%	48%	16%	77%	75%	65%
Austria	86%	68%	36%	86%	85%	62%
Belgium	91%	63%	39%	83%	80%	56%
Croatia	80%	62%	22%	69%	74%	66%
Czech Republic	83%	58%	22%	71%	73%	69%
Estonia	89%	79%	38%	85%	88%	65%
France	94%	57%	34%	87%	87%	75%
Hungary	91%	53%	24%	84%	89%	65%
Latvia	89%	72%	44%	82%	86%	64%
Lithuania	79%	68%	31%	75%	67%	75%
Netherlands	92%	76%	56%	73%	74%	53%
Norway	91%	80%	58%	86%	74%	59%
Poland	77%	61%	21%	77%	69%	56%
Portugal	87%	61%	30%	82%	87%	73%
Russian Federation	88%	48%	27%	78%	66%	41%
Turkey	84%	54%	19%	90%	84%	74%
United Kingdom	83%	57%	36%	74%	80%	52%
TOTAL	87%	62%	32%	81%	79%	63%

Source: OECD, 2016

Table 3

➔ Financial behaviour of Europeans in the 2015 OECD survey

	Makes household financial decisions alone or with someone else	Household has a budget	Combined: has budget responsibility and a budget	Active saver	Considered purchase	Timely bill payment
Albania	83	71	60	43	95	81
Austria	95	31	29	69	79	88
Belgium	89	47	43	75	88	93
Croatia	88	70	63	63	62	61
Czech Republic	90	40	39	59	76	81
Estonia	91	43	41	40	76	87
France	90	85	76	83	93	95
Hungary	94	25	24	27	75	77
Latvia	88	90	81	36	79	78
Lithuania	95	65	62	53	84	71
Netherlands	94	40	39	71	80	86
Norway	97	33	32	84	85	91
Poland	94	66	63	34	55	67
Portugal	93	72	68	37	93	81
Russian Federation	93	50	47	55	72	70
Turkey	86	78	68	51	80	66
United Kingdom	96	53	51	72	69	84
TOTAL	91	57	53	57	80	80
	Keeps watch on financial affairs	Sets long-term financial goals	Some attempt to make informed decision	Shopped around and used independent info or advice	Income did not meet leaving costs at some point in previous 12 months	Percentage of the entire population that did not borrow to make ends meet in the last 12 months
Albania	75	41	53	3	54	59
Austria	87	65	66	12	16	89
Belgium	88	62	42	15	24	94
Croatia	63	45	33	5	35	80
Czech Republic	75	39	30	6	18	87
Estonia	76	40	41	2	24	83
France	89	61	80	4	40	88
Hungary	56	43	21	6	26	89
Latvia	73	44	49	5	37	74
Lithuania	66	51	53	12	30	78
Netherlands	74	39	18	13	26	87
Norway	76	44	55	5	15	91
Poland	50	32	39	6	18	87
Portugal	79	52	82	6	35	84
Russian Federation	66	47	52	11	35	76
Turkey	50	44	55	4	50	58
United Kingdom	75	45	36	15	23	93
TOTAL	71	48	49	8	31	81

Source: OECD, 2016

Table 3 shows that European consumers have positive financial attitudes and behaviours on issues such as household financial decisions, borrowing for consumption purposes, and timely payment of bills. However, they have negative attitudes and behaviours towards shopping around at different institutions to compare products. This is probably due to the lack of sufficient information about the products and institutions,

which are necessary for comparison. In this case, MFIs can use financial education to increase outreach and create awareness. This phenomenon can also be attributable to limited access to such products and services, causing clients to stick to what is accessible. This could be the case for countries such as Albania and Estonia where financial inclusion is relatively low. In terms of personal and family budget management, Europeans have

relatively low scores, which tend to reflect the low financial literacy rate of women (since women are often at the centre of managing family finances).

To conclude, these financial literacy assessment tools provide information on the level of knowledge needed for effective participation in the financial market and form the basis to provide policy recommendations to improve financial literacy.

4. Microfinance and Financial Education



The client empowerment process aims at the enhancement of welfare starting from the provision of financial education. MFIs do this by complementing the provision of financial services with support services (non-financial services). There are at least three types of activities under the umbrella of non-financial services:

- ➔ Client development services: help clients understand their personal situations, principally to avoid problems such as over-indebtedness;
- ➔ Entrepreneur development services: designed for clients who want to create their own enterprises. Included are start-up assistance and training in basic skills; and,
- ➔ Business development services: for existing small businesses to assist their development, with services ranging from business advice to technical skills training.

Financial education activities provided by MFIs take place in different forms and address different target groups in the framework of the above-mentioned activities. (EMN Note, 2011)

MFI motivations for offering financial education can be grouped along the following dimensions: 1) consumer protection and awareness, 2) product uptake and 3) personal and livelihood

development.

MFIs that use financial education to address consumer protection and awareness attempt to change the consumers' approach to financial markets in order to avoid harmful financial products and ensure the responsible use of financial products.

MFIs that have product uptake activities introduce consumers to various products and services that meet their specific needs and also serve as a strategic approach to increase outreach. In this way, financial education ensures financial inclusion. This financial education approach typically introduces consumers to specific products and their respective terms and conditions. This increases client awareness and enhances the consumers' ability to make informed financial decisions.

MFIs that aim at personal and livelihood development perceive financial education as a part of a more holistic social agenda that offers financial knowledge and skills as a means of improving financial decision-making, social well-being and general livelihoods (Mastercard Foundation, 2011).

Together, these motivations along with the increasing importance of financial

education for microfinance clients has raised the debate on whether financial education should be a mandatory part of MFI activities. Skeptics argue that mandatory financial education will make the provision of microloans more expensive since it is not a core activity of MFIs. In effect, clients may be required to pay additional fees for such services, which defeats the purpose of providing affordable and accessible microloans to the poor and financially excluded population. Rather, financial education should be provided by client request or as and when necessary (refer to section one above for details). However, Annamaria Lusardi, an Italian born economist at the George Washington University, argues that since driving licenses are required to drive on the roads, consumers need a certain minimum level of financial literacy in order to avoid the dangers associated with financial illiteracy and to effectively participate in financial markets. The provision of business and personal microloans must be accompanied by financial education on issues relating to service cover charges, fees, interest rate calculations, repayment schedules, customer obligations and other terms and conditions of all products so that clients can choose the right products that suit their individual needs.

4.1. Who are MFIs' Financial Education Target Groups?

In the microfinance context, financial education often targets the following two groups, not necessarily mutually exclusive, based on their specific needs: 1) Financial education for individuals and 2) financial education for entrepreneurs or potential entrepreneurs.

Financial education for individuals

Financial education for individuals can be addressed to target groups such as households, pensioners, migrants, and students with the aim to improve their general livelihood, increase awareness and prevent personal over-indebtedness.

Households are a key target of

While MFIs support individuals in building capability in personal financial management and the responsible use of credit, entrepreneurs may need also additional educational programs in order to start and develop their businesses. Financial education introduces individuals and

microfinance financial education. Financial education for this group aims to provide the basic skills needed to make every day financial decisions such as managing the family budget to avoid debts such as utility payment. Household financial education also tends to have positive impact on children as parents transfer proper

entrepreneurs to personal financial management and key entrepreneurial training on issues (refer to Figure 1). These services help them to develop the financial literacy and capability to enhance their welfare.

financial knowledge, skills, attitudes and behaviour to the children (see Box 2).

MFIs provide microcredit to employees and pensioners to meet personal needs such as children's' education, payment of medical bills, fuel and vehicle maintenance. Financial

education for this group is crucial because it is estimated that more than half of adult workers do not know the kind of pension scheme they have and the majority of employees do not know the rules on social security (OECD,

2016). Therefore, financial education aims to develop positive savings and investment habits to properly plan for retirement.

Financial education for minority

groups such as migrants seeks to promote livelihood development and enhance smooth integration into their new community.

Box 2 - Financial education transfer from parents to children²

In the pasta aisle of the grocery store in Spain, Maile Diaz surveyed her options. In the 6-year-old's hands was a shopping list she wrote out before she and her father left home. "This one is EUR 1," Paolo Diaz said, pointing to a box of spaghetti on sale at 10 for EUR 10. "This one is EUR 2.99. Which one should we get?" "This one," Maile said, selecting the less expensive of the two. It may not have made for the speediest shopping trip, but for the Diazes, grocery shopping is about more than restocking the pantry. It's a weekly opportunity for Diaz to start teaching his

daughter, in high school, how to manage and spend money wisely. "More than anything, I want her to know she needs to be responsible when she grows up so she doesn't go through what I did when I was in college," he said. In college, Diaz maxed out three credit cards and ended up going through credit counselling after seeing an ad on TV. The agency consolidated his debt, some EUR 8,000- EUR 9,000, and it took him five or six years to pay everything off. "I don't want her to fall into that trap," he said (The Denver Post, 2014)

Financial education for Entrepreneurs

Entrepreneurs were perceived as having the required financial skills and competencies to run their business. However, recent studies have shown that entrepreneurs do not have better financial literacy, leading a number of small businesses into problems (JA Europe, 2016). This coupled with the complex financial decisions facing the average entrepreneur means that a good financial knowledge and attitude are required to reduce over indebtedness, avoid risky investment and learn appropriate growth strategies.

A recent survey³ by Visa Europe asked respondents what prevents them from starting their own business. The survey response showed that more than 56% of the 17,000 respondents had viable business ideas, however, 20% of these potential entrepreneurs attributed limited financial knowledge as the biggest obstacle in starting up a business. The Junior Achievers (JA) Europe 2016 survey revealed that 21% respondents believe that general financial skills and education are needed and 60% of respondents believe financial planning and budgeting is

Figure 3

Overview of financial needs of young employees and entrepreneurs



Source: JA Europe, 2016

² <http://www.denverpost.com/2014/01/10/parents-play-important-role-in-personal-finance-education-2/>
³ <http://share.jayeapps.com/jaye.europe/-/blog:-financial-literacy-and-entrepreneurship-education-matter-2558/>

the most needed business skill for young entrepreneurs. In addition, 39% and 36% of the respondent think financial accounting and attitudes and soft skills are needed respectively.

The chart below summarises responses to the following question: "based on your professional experience, what specific financial skills does any business or organisation need young people to be equipped with when beginning their work lives as an employee/entrepreneur?"

The Association of Chartered Certified Accountants (ACCA) conference on

financial education for entrepreneurs identified that financial education and entrepreneurship have nothing to do with skills but everything to do with education, training, counselling, mentoring and the provision of an enabling environment. Some MFI products for entrepreneurs go beyond providing business microloans and include the provision of non-financial services such as planning, financial risk assessment, as well as offerings for financial management, record keeping, banking services for SMEs, credit reporting, business registration

and taxation for start-ups, etc. Some MFIs provide additional relevant information for entrepreneurs such as positive behaviour, attitude and confidence.

Studies on the impact of financial education to entrepreneurs have found positive results, especially for those showing limited initial levels of financial knowledge. The next section of the magazine presents evidences on the impact of financial education using the North-South perspective.

4.2. Financial Education: Is It Working?

Financial education is very useful to enhance financial knowledge and the skills of individuals to make financial decisions. However, some argue that while financial education has been found to increase financial knowledge and skills, it does not automatically translate to changes in attitude and behaviour. For instance, financial

education can produce overconfidence among clients without improving their ability, which could actually lead to worse decision-making. However, evidence suggests that financial education, if properly designed, can increase client knowledge and in certain cases improve behaviour and increase product uptake. The

magazine augments evidence from the North with one example from the well-developed microfinance sector in the South. The programmes presented have undergone a rigorous evaluation process by MFIs or in partnership with other organisations.

Evidence from the South

XacBank of Mongolia is a microfinance institution with over 700 thousand customers. Working in partnership with the Mongolian Educational Alliance (MEA) and Equal Step Centre (NGO), XacBank launched a financial education programme for girls with the aim of improving product uptake by changing the behaviour and attitude of girls towards savings. The delivery model followed a direct classroom

training with young university students to assist educational delivery. To measure impact, XacBank, in partnership with the Nike Foundation, Women's World Banking and Microfinance Opportunities developed Temuulel⁴, a product for young girls to directly practice their financial education knowledge.

Although the evaluation results

show that although product uptake fell below the projected level (most girls cited a lack of cash to save, inaccessible banking facilities within their communities, a lack of required documents (ID cards) to open the account, etc.), the initial results show strong impacts of the financial education on the target population.

⁴ Temuulel means aspire – a customized savings product linked to financial education specifically designed for girls between 14 and 17 years

Figure 4

➔ Impact analysis of financial education on young girls

VARIABLE	DESCRIPTION	PRE-TEST (N-914)	POST-TEST (N-914)	DIFFERENCE BETWEEN PRE AND POST-TEST
SAVING				
Behaviour	Percentage of girls who saved more than they did two months ago	27	59	32
	Percentage of girls that follow their savings plan	59	83	24
Knowledge	Percentage of girls who know the components of a savings plan	54	72	18
	Percentage of girls who know savings goals are not only for the long-term	55	72	17
SAVING AT A BANK				
Knowledge	Percentage of girls who know a time deposit savings account is not a good choice if they want to make many withdrawals	45	76	31
	Percentage of girls who know at least two questions they should ask before opening a savings account	55	71	17
BUDGETING				
Behaviour	Percentage of girls who track their expenditures through daily/weekly records	22	58	36
Knowledge	Percentage of girls who know the amount of money they spent last month	38	66	28
	Percentage of girls who know the difference between wants and needs	51	70	19

Source: MasterCard Foundation, 2011

Although its sustainability over a long period is difficult to assess, the simple before and after evaluation, to some extent, shows a significant impact of financial education on the young girls. However, while the simple before

and after evaluation can properly evaluate knowledge base, it leaves many unanswered questions such as the role of other programmes in the selected community, the role of peers, change in economic circumstances,

and other sources of information, etc. Still, this evaluation report is a strong motive for the use of microfinance financial education in Europe, which has a young microfinance sector.

Evidence from Europe

In Europe, the European Commission and a number of financial institutions are at the forefront of financial education. However, evaluation results on the impact of financial education in the microfinance sector are quite scarce.

In 2011, Partner Microfinance, in partnership with the World Bank, provided financial education to entrepreneurs in Bosnia-Herzegovina. The approach followed the linked model: offered in partnership with a top-notch financial literacy training non-governmental organisation in a dedicated training facility. The evaluation report shows that the training programme had a significant impact on the growth and survival of firms and a significant improvement in the financial knowledge of clients with limited knowledge before the training. The training also increased the participants' fund management skills and understanding of the benefits of good credit history, and also reduced the default rate of clients who previously had low financial literacy and to a limited extent led to a higher rate of loan refinancing/restructuring. However, the training

project did not have any significant impact on business start-ups or the default rate by participants who had higher financial knowledge before the training. This study is a strong motivation for promoters of financial education to empower the least educated MFI clients with low financial literacy to make proper financial decisions.

Microfinance Centre (MFC) collaborated with Mikrofond AD in Bulgaria, Union of Citizens Advice Bureau (UCAB) in Poland, Vitas (formerly Express Finance) in Romania, and All-Ukrainian Network of Credit Unions (VAKS) in Russia to provide a six-month financial capability training for low-income households in each respective country. Preliminary studies in these countries show that financial education needs were acute. The programme followed a training of trainer approach where loan officers first receive trainings in order to educate their clients in areas of debt management and general financial counselling. In Bulgaria, for example, evaluation results show that financial education through literacy and capability has led to a change in the

attitude of clients by an average of 60% for calculating repayment capacity and using a repayment calendar. However, the training had a minimal effect on comparing credit offers before taking a loan. The project had similar impacts in Poland, Romania and Russia, increasing product uptake and improving clients' financial behaviour.

The examples presented above show that financial education has a positive impact on individuals and businesses. However, impacts are more pronounced for clients with limited prior financial knowledge and small-scale entrepreneurs – mostly microfinance clients. It is also important to stress that although financial education is critical to MFI clients, the impact is largely dependent on the quality of delivery.

The next section of the magazine presents case studies of how MFIs in Europe are undertaking their financial education mandate and is grouped into two parts: the first part deals with personal financial education while the second presents entrepreneurial financial education programmes.

5. Case Studies of Microfinance and Financial Education in Europe



This section presents five case studies of the different approaches by microfinance institutions to improve the financial capability of their current and prospective clients. The highlighted institutions focus on building capacity in various areas of financial management, which are discussed below.

A **mix of personal and business finance management** capability building is offered by MFO Alliance - the association of microfinance institutions in Macedonia.

Personal finance management for debt is the focus of the Borrow Wisely Campaign implemented by 15 institutions; the experiences of AgroInvest in Serbia and SIS Credit in Bulgaria are presented below.

Building **entrepreneurial capability** in establishing and developing a business, including business planning and financial management is the aim of services provided by Adie in France,

PerMicroLab in Italy and Qredits in the Netherlands.

The case studies represent three types of delivery models: a unified model, a parallel model and a linked model.

The unified model, where capacity building activities are delivered by a financial institution's staff that also provide financial services, is applied by the institutions implementing the Borrow Wisely Campaign (e.g. AgroInvest and SIS Credit case studies). Loan officers and other front-office staff present wise borrowing rules during their interaction with current or potential borrowers. The educational activities are thus integrated with the delivery of financial services and are carried out by the credit department staff.

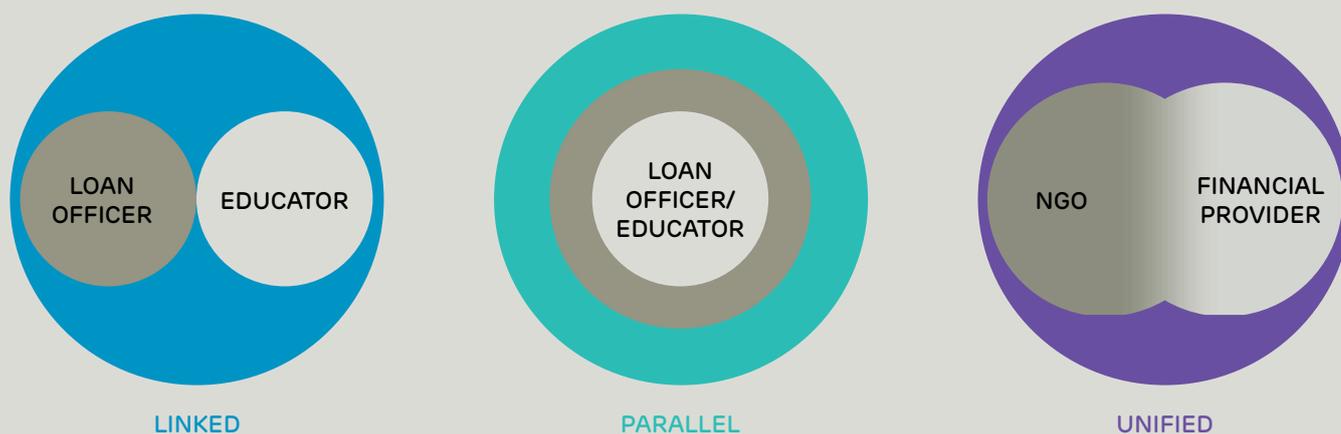
The **parallel model** is applied by two other institutions in the case studies. ADIE and Qredits provide capacity building in parallel to their lending activities. While staff of the credit

department provide loan products, educators (mentors) assist clients in improving their business skills. Both loan officers and mentors work in parallel with clear separation of duties.

The third option, a **linked model**, is represented by PerMicroLab and MFO Alliance in Macedonia where MFIs cooperate with external institutions to provide non-financial educational services. The MFIs deliver only financial services while non-financial services are outsourced. PerMicro cooperates closely with PerMicroLab to secure assistance for its borrowers in developing business skills, while MFIs in Macedonia have their association, MFO Alliance, provide personal and business finance education to the clients of the member MFIs. Such a model allows each party to focus specifically on their services; financial institutions focus on the delivery of financial services while the partner institution or association provides non-financial services.

Figure 5

Financial education delivery models



Source: Adapted from 'Delivering Financial Education In Africa. Reach Global's Lessons Learned on Supporting the Delivery of Financial Education under the UNCDF-Youthstart Programme' UNCDF 2015

The case studies represent a spectrum of financial capability interventions with different depths of engagement, scale and cost.

Three institutions (Adie, PerMicroLab, Qredits) provide **individual education**

through mentoring that is tailored to the needs of the client, provided on a one-on-one basis with high engagement from both the entrepreneur and educator. This approach allows for high impact of the interventions but also implies

high costs. The high engagement of educators also limits the scale of outreach.

The compromise between the scale and intensity can be reached through **mass education** that combines different

three approaches: group training, self-study and individual assistance. A good example of this approach is the "CreaJuenes" programme extended by Adie and the "EigenBaas" programme by Qredits where participants develop practical skills in business plan preparation through a mix of lectures, individual assignments and personal assistance from a professional. The

training program of MFO Alliance in Macedonia also allows for scale as it is implemented in cooperation with local non-profit institutions that work with vulnerable groups.

The lightest touch model with relatively low engagement from both the educator and recipient is the **information sharing** method. Mass

communication permits the institution to reach a large number of recipients at relatively low unit cost. Although the impact on financial capability is rather low, this type of activity is important for building awareness and developing attitudes. This approach is employed by MFIs participating in the Borrow Wisely Campaign.

Table 4

➔ Classification of financial capability activities

ACTIVITY TYPE	ACTIVITY	DESCRIPTION	SCALE	INSTITUTIONAL ENGAGEMENT	CLIENT ENGAGEMENT	IMPACT ON FINANCIAL CAPABILITY	COST
INDIVIDUAL EDUCATION	<ul style="list-style-type: none"> ➔ Counseling ➔ Coaching 	One-on-one, tailored sessions	Individuals	High	High	High	High
MASS EDUCATION	<ul style="list-style-type: none"> ➔ Classroom education ➔ Online training 	Teaching through different channels methods	Groups	Medium/high	Medium	Medium	Medium
INFORMATION SHARING	<ul style="list-style-type: none"> ➔ Information disclosures ➔ Public awareness campaigns ➔ Printed materials ➔ Websites ➔ Social media 	Broadly communicating information	Mass Market	Low	Low	Low	Low

Source: Adapted from Center for Financial Services Innovation (CSFI)

While all institutions target both current and potential microfinance borrowers, several of them also tailor their educational activities specifically for

youths. ADIE has the "CreaJeunes" program for vulnerable youth groups, Qredits implements the "EigenBaas" school program with high schools and vocational colleges, PerMicroLab is

engaged in "Up to Youth" program for young adults up to 35 years old and the MFO Alliance provides education for students.

5.1. MFO in Macedonia



MFO is a network of microfinance institutions in Macedonia. Its mission is to contribute to a society in which a sustainable microfinance sector will deliver adequate financial and non-financial services to reduce poverty through the promotion of entrepreneurship and development of micro and small businesses and others who have difficulties to access

financial services. MFO is focused on supporting start-up entrepreneurs, micro and small enterprises.

Since 2016, MFO Alliance has been implementing the USAID-funded 'Microfinance Inclusion and Innovation Project'. Financial education is an important component of the project with 30 training courses to be carried out in 2016 - 2017.

Financial Education at MFO

VALUE PROPOSITION

The value proposition addresses the need for better management of personal and business finance. It equips the recipients of the educational activities with the capacity to manage both personal and business finance and also prepares them for the financial services of microfinance institutions. In the case of personal finance, the

educational curriculum includes such topics as managing personal funds, setting and achieving financial goals, understanding the basic principles of borrowing and saving and the hazards of over-indebtedness and bankruptcy. In the business finance component, recipients learn about managing business financial resources and debts,

the diversification of risk, calculating costs and setting sales prices.

An important part of the educational curriculum is information on the availability and conditions of financial products from microfinance institutions for business and personal use.

TARGET CUSTOMERS

MFO provides education to a broad target group in line with the target groups of microfinance services. The financial education activities are thus targeted at current and future clients of the MFIs - members of

MFO Alliance. Two main segments of financial education recipients can be distinguished:

Current entrepreneurs - farmers and microentrepreneurs who are the target group of microfinance, including

current clients of the MFIs (members of MFO).

Prospective entrepreneurs - students and other people who plan to start a business, for whom entrepreneurship is an option to improve their livelihood.

CUSTOMER RELATIONSHIPS

Financial education is delivered through **classroom trainings** where trainers provide personal assistance to the participants. Apart from lecturing, trainers engage the participants in exercises, stimulate discussion and answer questions from participants. Additionally, the representatives of microfinance institutions deliver sessions on microfinance product features and conditions of use.

Although the educational program is targeted towards certain segments of the population, it is open to everyone and the participants of the trainings are recruited through an open enrollment

process. Trainings are announced by project partners such as MFIs and local associations. These partners inform their clients, members and beneficiaries about the free trainings. Additionally, trainings are announced publicly via organisational web sites.

Launching the programme required **preparatory activities** that were performed during the beginning of the project, which included building partnerships, developing the training curriculum, and selecting the trainers.

Building partnerships. Conducting the trainings requires partnering with

institutions that will be able to manage the schedule of trainings, organize the logistics, recruit the participants and coordinate the trainers. As the MFO Alliance has a very narrow organizational structure, it was decided that one of the MFO members, Macedonian Entrepreneurship Development Fund (MEDF), would manage the implementation of the program and cooperate with the MFIs, local associations and other NGOs to reach out to the target groups.

In order to identify trainers, the MFO organized a public call and selected a local consulting firm with experience

in developing training courses and with a team of professional trainers.

The **curriculum development** was undertaken to respond to the needs of the target groups. MEDF led the process with microfinance institutions and MFO Alliance contributing to the development of the curriculum based on their knowledge of microborrowers. The local company selected to deliver the trainings took care of finalizing the training package by structuring the training sessions and adding exercises. Altogether, designing the curriculum took 4 months.

The **implementation** of the project

was split into two phases: pilot testing and roll-out. The **pilot testing** of the full project (curriculum, trainers, partners and logistic arrangement) was conducted through the first seven trainings. These trainings were organized by MEDF but participants were recruited from the clients of Saving House FULM, Saving House Moznosti and Microcredit Foundation Horizonti. The first seven trainings were evaluated in order to assess the appropriateness of the curriculum and the delivery model. The evaluation activities included a survey of the training participants and interviews with trainers. The MFIs also provided their feedback about the participant

recruitment process.

In the **roll-out** phase of the project, with improved content and delivery process, the logistic arrangements and recruitment of participants shifted to the local associations, NGOs, educational institutions and other institutions working with the target populations. As a result, the role of MFIs in recruiting participants was reduced to the announcement of the training courses. The trainings conducted in the roll-out phase were also evaluated in order to identify the areas for improvement.

KEY RESOURCES

Human resources are the key resource to successfully deliver the financial education project. Of particular importance are the professional trainers who deliver the trainings and the managers and coordinators of the project from the MFO Alliance, MEDF and local partner institutions.

The main **intellectual resource** is the locally developed training curriculum, with high involvement from microfinance institutions.

Few **physical resources** are required as the trainings are delivered in rented facilities. The back office infrastructure for managing the

project is the main physical resource needed for implementation.

As the project relies on donor funding, a grant is the main **financial resource** of the project, complemented by contributions of the members of the MFO.

COST STRUCTURE

The implementation costs of the program include **investment costs** in the preparatory phase to develop the training curriculum, arrange

partnerships and prepare the program of activities. The delivery costs of the trainings can be divided into **fixed costs** (personnel and back office costs) and

variable costs of each training (trainer's fee, room rental, refreshments, training materials, partner fee).

REVENUE STREAMS

The trainings are free of charge for the participants, so there are no revenues from the project.

5.2. Borrow Wisely Campaign (BWC)

The Borrow Wisely Campaign has been developed by the Microfinance Centre (MFC). MFC is a regional resource centre and network of institutions across the microfinance value chain, including: financial service providers, investors and networks. In 2013, the campaign was developed to educate microfinance clients about responsible borrowing rules by leveraging the limited resources of individual MFIs. Twelve MFIs collaborated to work out the campaign's main messages, design tools and communication channels.

The Borrow Wisely Campaign launched in October 2014.

The campaign offers education through the unified model. Education is delivered by front office staff at various stages of the lending process. Loan officers integrate the delivery of educational messages into their routine client activities, using all possible touch points with the client. The campaign is implemented each year by microcredit providers across ten countries in Europe and Central Asia⁵. The campaign has a large

outreach: in 2016, the campaign directly and virtually reached 473,660 microfinance current and potential microfinance clients.

Below we present the experiences of two microfinance institutions: AgroInvest in Serbia and SIS Credit in Bulgaria, who are members of Microfinance Centre (MFC) and European Microfinance Network (EMN). Both MFIs have implemented the Borrow Wisely Campaign for the last two years.

Introduction to AgroInvest (Serbia)



AgroInvest Serbia, part of a holding company operating in Montenegro and Serbia, is an affiliate of Vision Fund International, a network of institutions in 42 countries. AgroInvest started operations in 2001 and

today is an intermediation agent for entrepreneurs to start or improve small business in trade, services, agriculture, and the reconstruction or repair of business facilities. Most clients use loans for their own businesses, which create jobs for them and their family members. AgroInvest Serbia serves over 16,000 poor households, mainly in rural areas with loans of 1,000 EUR, on average.

From the perspective of AgroInvest, the continuity of the Borrow Wisely Campaign is very important since it increases client education levels and facilitates trust between clients and the organization, especially regarding the part of the campaign related to income and the ability of clients to save some income or use it to repay the installment.

Introduction to SIS Credit (Bulgaria)



SIS Credit is a microfinance institution that provides loans up to EUR 25,000 and expert advice to its clients:

start-up companies, micro and small enterprises, and agricultural producers who want to develop their business idea or need working capital. SIS Credit aims to encourage entrepreneurship, facilitate access to finance for clients with limited resources and support job creation in depressed economic regions of Bulgaria. In addition, SIS Credit offers loans to individuals for refinancing quick personal loans or to pay current expenses. At the end of

2016, SIS Credit had over 500 borrowers with the average outstanding loan of less than 5,000 EUR.

The management of SIS Credit recognizes the need to raise awareness about the risks of borrowing and to educate clients on how to avoid over-indebtedness. For SIS Credit, the priority is to educate clients on the true cost of loans, especially consumer loans, and enable clients to assess their own repayment capacity.

Personal Finance Education through the Borrow Wisely Campaign

VALUE PROPOSITION

The Borrow Wisely Campaign (BWC) is an awareness raising and educational campaign that aims at building the capacity of individuals in personal finance management, specifically in the area of credit. It teaches current

and future borrowers how to use credit products responsibly, harness the potential power of loans and how to avoid the pitfalls of too much debt. In particular, it helps clients to answer five key questions:

- ➔ How much can I afford to borrow?
- ➔ Do I know how much I will pay?
- ➔ Do I fully understand the contract?
- ➔ How do I control debt?
- ➔ What should I do if I am not satisfied?

⁵ In 2014, the BWC was implemented by 12 microfinance institutions, the number increased to 18 MFIs in 2015 and 21 institutions in 2016.

TARGET CUSTOMERS

The Borrow Wisely Campaign is extended to the following target groups:

- ➔ Current MFI borrowers
- ➔ Potential MFI borrowers

CUSTOMER RELATIONSHIPS

In the Borrow Wisely Campaign, messages are delivered in two ways.

One-on-one personal assistance is the main way to deliver the campaign messages. In AgrolInvest, loan officers use a number of touch points with the client during the loan tenure, such as monitoring visits, client calls for additional information or advice and visits to the branch, to provide tips on wise borrowing and to encourage borrowers to learn more on how to control debt. For potential clients, the AgrolInvest staff talks about responsible borrowing and distributes the BWC materials when potential borrowers visit the branch office to inquire about credit products, bring a loan application or at the loan application assessment visit.

Self-service is the preferred method of campaign delivery for SIS Credit. Printed materials with campaign messages are distributed to all branch offices of SIS Credit. Visitors, current and prospective clients, can read them in the branches, ask questions and take the materials to read at home later and share it with their families. The materials are easy to understand, perfectly suitable for self-education.

The key campaign activities include **preparation, implementation and monitoring/evaluation**.

The **preparation stage** starts with the **adaptation of the campaign materials**. In the first year of the campaign, the Microfinance Centre (MFC), in cooperation with twelve MFIs, developed the campaign materials

(leaflet, brochure and video clips) in English with graphic templates that allow for easy adaptation of the layout and text in the local language. Each MFI then adapted the materials to the local context and incorporated them in the graphic templates. Both AgrolInvest and SIS Credit adapted the material in the first year of the campaign and the used the same materials in the next years.

Printing of the materials: Depending on the planned outreach, MFIs print the required number of brochures, leaflets and posters.

Staff training: The loan officers who will interact with campaign recipients are trained on how to raise customer interest in the campaign and how to deliver key messages. In SIS Credit, the training for loan officers and branch managers was conducted in the form of a webinar.

The **implementation phase** is done in October each year. Both MFIs disseminate information about the campaign through their web sites, social media and other channels to strengthen the impact of the campaign. AgrolInvest published the campaign information in the External Newsletter, which is issued quarterly for existing clients and non-clients. In the first year of the campaign (2015), SIS Credit organized a press conference to announce the purpose and key messages of the campaign. Additionally, the aim was to provoke discussion about the need for responsible lending principles and the lack of financial literacy of the average

client. The event was communicated through different media (TV, radio, newspapers, economic and business websites), as well as social networks.

Every branch office for both MFIs participated in the campaign: 17 branches of AgrolInvest and 22 offices of SIS Credit.

Monitoring and evaluation allows the campaign to assess the scale of outreach, as measure by: the number of branch offices involved, the number of front line staff engaged in the distribution of the informational materials, the number of leaflets and brochures handed out, and the number of posters.

The evaluation assesses the clarity of campaign messaging, the attractiveness of the campaign material layouts as well as the quality of outreach. The attractiveness of the campaign format is evaluated through in-depth interviews with 50 clients at the time of interaction with loan officers. Recipients of brochures and leaflets are asked to evaluate the graphical layout, form and content when the loan officer presents them a brochure and talks about the wise borrowing principles. The quality of outreach is evaluated one month after the campaign. It is conducted through a telephone survey among 50 borrowers who received the campaign materials when applying for a loan or during the monitoring visit. They are asked about the usefulness of the campaign messages.

KEY RESOURCES

The following resources are used by the MFIs to deliver the campaign:

Intellectual resources: The BWC materials are the property of the MFIs: posters, leaflets, brochures, and video clips are translated to the local language and adapted to the local

context.

Human resources include: Marketing department to plan, oversee implementation and conduct monitoring and evaluation of the campaign; branch managers to organize the campaign delivery in

branches; and, front office staff to deliver the campaign to the recipients.

Financial resources: Both MFIs allocate part of the marketing budget to cover campaign costs.

COST STRUCTURE

In the first year of the campaign, each participating MFI had to bear the **investment costs** of translation and adaptation of the materials as well as the personnel costs for managing the process. Each year, **fixed costs** include: personnel training costs, personnel cost of conducting monitoring and

evaluation. Annual **variable costs** include the printing and distribution of materials to branch offices. Although the front-line staff commits their time to distribute the campaign materials and explain the messages, neither MFI considers it a cost as these activities are part of the delivery of financial

services.

Monitoring and evaluation analysis of the results is conducted by Microfinance Centre jointly for all MFIs participating in the campaign free of charge.

REVENUE STREAMS

The BWC does not generate any revenues for the MFIs.

Table 5 provides a comparison of the MFO and BWC approaches.

Table 5

➔ Comparison of personal finance educational programs

INSTITUTION	MFO	AGROINVEST AND SIS CREDIT (BWC)
Value Proposition	Building capability in personal finance management	Building capability in business finance management
Target Customers	<ul style="list-style-type: none"> ➔ Students ➔ Farmers 	<ul style="list-style-type: none"> ➔ Micro-entrepreneurs ➔ Potential entrepreneurs
Customer Relationships	Personal assistance through classroom setting	One-on-one personal assistance; Self-service
Key Resources	<ul style="list-style-type: none"> ➔ Physical - back office ➔ Intellectual - training curriculum ➔ Human - trainers, coordinators ➔ Financial - grants and MFI contributions 	<ul style="list-style-type: none"> ➔ Physical - branch offices ➔ Intellectual - campaign materials adapted to the local context ➔ Human - Marketing Department staff, loan officers ➔ Financial - marketing budget

5.3. Adie France



Adie is an association that helps people who are out of the labor market and banking system to establish their own

business, and thereby create their own employment thanks to microcredit.

Adie was created in 1989. Since its beginnings, the mission of Adie has been to offer microloans to entrepreneurs, with a particular focus on the unemployed and those on social welfare who lack access to the traditional banking system and to provide them with business development services before and after the start of their micro-enterprise to

increase their chance of success. In a context of rising unemployment, Adie advocates to make microcredit and support for business creation a recognized instrument of employment, economic development and social inclusion policy.

Since its inception, Adie has granted more than 185.000 microcredits; in 2016 alone it granted nearly 20.000 loans. Adie operates through 129 branch offices and 196 sub-offices.

Entrepreneurship Education at Adie

VALUE PROPOSITION

The value proposition of Adie's entrepreneurial education addresses the lack of knowledge about the conditions of starting a business in France and provides

the skills to set up and run an enterprise. Adie offers its customers quality support to ensure the sustainability of their activity before, during and after company

creation in various areas such as finance and accounting, administration, commercial development, legal advice or taxation.

TARGET CUSTOMERS

Adie offers financial education to the following segments of entrepreneurs and future entrepreneurs at different stages in their business ideas:

➔ Potential entrepreneurs:

- youth 18-32 years old interested in setting up a business
- general population interested in setting up a business.

➔ Entrepreneurs in the pre-startup phase interested in obtaining Adie financing.

➔ Entrepreneurs with established businesses financed by Adie.

CUSTOMER RELATIONSHIPS

Adie assists entrepreneurs in the following ways: information sharing

➔ Information sharing and advice

Perm'Adie. For entrepreneurs in the pre-startup phase, Adie offers access to information on how to register a firm. Mentors and Adie staff provide information on how to set up a business, answer questions relating to

and advice, self-service through e-learning resources, personal

administrative documents, legal, tax and banking, and help write official letters.

Adie Conseil Info. Entrepreneurs can also ask questions on taxes, contracts, etc. via a telephone hotline and by

assistance in a group setting and a one-on-one mentoring programme,

e-mail. Adie Conseil Info volunteers answer the questions. When requests require a more specific legal answer, Adie transfers it to law firms that will analyze the question pro bono.

➔ Self-service through e-learning resources

Videos. For would-be entrepreneurs who want to learn what it takes to start a business, Adie has developed short, three-minute videos. Nine videos present the steps that need to be taken in order to create a business based on the examples of three entrepreneurs.

The steps include customer analysis, competition analysis, strategy, sales planning and financial projections. The videos and tools are available online at www.adieconnect.fr and on YouTube.

Fact Sheets. The videos are accompanied by over 40 practical tools that help to prepare a business project, launch and develop a company, as well as on how to close the business. The tools are available at Adie's website www.adieconnect.fr.

➔ Personal assistance in a group setting

Workshops. For people with a business idea who want to explore the opportunity of setting up a company, Adie organizes workshops in various locations in France on topics related to business creation (getting started with Adie support, steps in forming a company, commercial side of the business, business finance, and social media). The workshops are led by Adie mentors and staff, are highly participatory and allow for testing of

the participants' business ideas. **'CreaJeunes' project.** This training program with individual support to participants is targeted at young people (18-32 years old) with a business idea. The program's duration is 4-6 full time weeks with several meetings a week. The program combines lectures (3-4 sessions) where the participants learn the fundamentals of small business creation and management. Additionally, the participants receive

individual assistance from a mentor who helps them turn their business idea into a viable business plan and launch a company. The mentoring can continue after the CreaJeunes program. Entrepreneurs who wish to obtain financing for their business start-up can apply for an Adie loan. Usually, 10-12 young people participate in a group. The program is run in 19 locations in France.

➔ One-on-one mentoring programme

Adie mentors provide counseling to Adie borrowers and non-borrowers. Mentors engage in assistance to the entrepreneurs at a very early stage of their relationship with Adie. Entrepreneurs in a pre-startup phase who wish to register a company and finance it with Adie's loan receive information and advice on how to register a company and how to prepare a business plan. If the entrepreneur registers the company and receives a loan from Adie, then mentoring continues throughout the loan term and can also be extended after the loan is repaid.

In the case of entrepreneurs who start a company with Adie's loan, participation in mentoring sessions can be encouraged to obtain funding.

For repeated borrowers, mentoring services are not compulsory. If there is a need, the borrower can ask for the mentoring support any time during the loan term.

Relationship Mentor - Entrepreneur - Credit staff. The relationship with the entrepreneur starts with the diagnosis of the needs conducted by an Adie advisor. Advisors are the first point of contact with the entrepreneur, so their role is to identify the level of support needed and the best form of its delivery. They also choose the mentor that will be most suitable for the entrepreneur and establish the relationship between the entrepreneur and mentor.

Building relationships with clients. Adie continually works on developing

and maintaining a pool of mentors in all locations where Adie's services are offered. The information on how to become a mentor is available at Adie's website where the scope of engagement is presented together with the testimonials of the volunteers already working with Adie. Additionally, Adie organizes national campaigns to recruit volunteers who become mentors or perform other duties at Adie⁶. A week-long campaign consists of open days at Adie offices and web conferences. Interested volunteers then participate in the induction meeting to learn about Adie and its services and also receive training on how to mentor. Attracting and managing the pool of volunteers is the responsibility of the Animator.

KEY RESOURCES

Adie uses the following resources to deliver entrepreneurial education:

Physical resources. Adie offices are used for the delivery of some non-financial services (information sharing, advice), to conduct mentor trainings and for back-office functions. An important resource is the IT infrastructure that hosts the internet resources of Adie's websites. Apart from the organization's website www.adie.org, Adie has a separate web-site dedicated for entrepreneurs www.adieconnect.fr with information about Adie's services and with access

to on-line resources.

Intellectual resources. Adie has developed the following educational programs and tools:

- ➔ Nine e-learning videos - videos presenting the journey of three entrepreneurs through the stages of business creation.
- ➔ 40 practical tools and templates.
- ➔ 'CreaJeunes' program curriculum.
- ➔ Other adapted tools for each project step (business planning tools, etc.).

Human resources. The following resources are engaged in the delivery

of entrepreneurship education:

- ➔ Mentors - Adie cooperates with 1,300 volunteers who perform various tasks, although the majority are engaged in mentoring.
- ➔ Volunteer coordinators - the volunteers themselves, organize the recruitment and induction of new volunteers.
- ➔ Front-line staff engaged in promotion of educational services.

Financial resources. In order to perform educational activities, Adie makes use of donated funds from public and private institutions.

⁶ Adie is a hybrid organization with staff and volunteers performing tasks related to the delivery of non-financial services (mentoring) and financial services (revision of loan applications, participation in credit committees, administrative support, communication).

COST STRUCTURE

The costs of delivering entrepreneurship education can be divided into three groups: the investment costs of developing the educational curriculum and tools and the fixed and variable costs of delivering the education on a regular

basis.

Investment costs include the development of videos, practical sheets and other tools as well as the workshop curriculum. **Fixed costs** of the entrepreneurial education include

personnel costs, IT maintenance and administrative costs while **variable costs** refer to mentors' travel and meal costs and the logistics of the workshops and trainings. The total cost for one entrepreneur is 2.000€ on average.

REVENUE STREAMS

Entrepreneurship education is delivered by Adie free of charge. The beneficiaries do not pay for any of

the activities they are involved in. The costs are covered by public funding (European, national and regional) and

donations from the corporate sector.

5.4. PerMicro and PerMicroLab in Italy



This case study presents the example of cooperation between an MFI, PerMicro, and an NGO, PerMicroLab, to improve the entrepreneurial capability of MFI clients and the target population. The case represents a linked model where the MFI appoints an external institution to provide non-financial services. The delivery of financial and non-financial services is separated both operationally and

financially, as the respective activities are performed and financed by the separate institutions.

Created in 2007, PerMicro is an MFI in Italy with the purpose of promoting social inclusion and employment through microcredit. Since the inception, PerMicro has disbursed 15,047 microcredits worth more than 103 million EUR, supporting families in temporary difficulties and encouraging the creation and development of entrepreneurial activities in various sectors, from small business to catering, crafts and personal services

among many others.

Established in 2003, PerMicroLab is a foundation, whose mission is to foster the enhancement, promotion, development and management of microcredit as a tool for social inclusion, assist and support the creation and development of micro and small business initiatives and other initiatives carried out by people at risk of social and economic exclusion, and also to prevent usury by providing protection, assistance and information.

Entrepreneurship Education at PerMicroLab

VALUE PROPOSITION

PerMicroLab offers support for entrepreneurs who wish to set up their own business. PerMicroLab provides information on different legal forms of business, tax regimes, licenses and registrations, funding sources,

and ex-ante assistance in developing the business idea and preparing the business plan. After the start-up phase and once the business is launched with the use of a PerMicro loan, PerMicroLab accompanies

the entrepreneurs in business plan implementation by monitoring actual cash flows relative to projections and, if necessary, advises on corrective actions and setting new objectives.

TARGET CUSTOMERS

The following segments are targeted with entrepreneurship education activities:

➔ Current entrepreneurs in a start-up

phase who plan to start a business with a PerMicro loan.

➔ Prospective young entrepreneurs: people under 35 years old interested

in opening a business, professional school students or graduates and the unemployed.

CUSTOMER RELATIONSHIPS

PerMicroLab develops different types of relationships with each customer

➔ One-on-one mentoring programme

PerMicroLab mentors help entrepreneurs to set up a business by providing advice on writing a business plan and assisting in the early stage of business plan development. In the first phase of the relationship, business plan creation, mentors meet

Relationship Entrepreneur - Mentor - Loan officer

PerMicroLab mentors help entrepreneurs to set up a business by providing advice on writing a business plan and assisting in the early stage of business plan development. In the first phase of the relationship, business plan creation, mentors meet

Building relationship with mentors

The PerMicroLab staff actively works towards increasing the pool of mentors available. Mentors are actively sought through LinkedIn and by referrals from current mentors, and passively through the website, www.permicrolab.it, where information on how to become a mentor is posted along with short videos of mentor testimonials.

Once a month, PerMicroLab organizes workshops for prospective mentors. A one-day workshop held in Turin gathers mentor candidates from the whole country. During the workshop,

segment, including: one-on-one mentoring programme and personal

the entrepreneur once per week. The total number of weeks is not specified upfront, it depends on the extent of the needed support. After finalizing the business plan and receiving a loan from PerMicro, meetings are less frequent, usually once per

the entrepreneur once per week. The total number of weeks is not specified upfront, it depends on the extent of the needed support. After finalizing the business plan and receiving a loan from PerMicro, meetings are less frequent, usually once per

conducted by a senior mentor, the concept of mentoring is presented together with business planning, accounting and programming tools.

Mentor candidates apply on-line by filling out the application form, attaching a CV and completing the questionnaire. The questionnaire asks about skills and knowledge to better understand the potential of the candidate. The selection of the mentors is based on the score calculated from the application. A dedicated CRM software was developed to standardize

assistance through classroom training.

month. In addition to face-to-face meetings, mentors and entrepreneurs communicate via telephone or e-mail. The mentor spends a minimum of 8 hours per month providing support to the entrepreneur.

month. In addition to face-to-face meetings, mentors and entrepreneurs communicate via telephone or e-mail. The mentor spends a minimum of 8 hours per month providing support to the entrepreneur.

and automate the evaluation process. Mentors who successfully go through the application process sign a contract with PerMicroLab.

PerMicroLab does not offer any capacity building trainings for mentors, as it expects that the mentors will have business planning skills, as well experience in consulting, mentoring or coaching for start-up enterprises. However, mentors have the opportunity to improve skills by receiving support from fellow mentors and loan officers.

➔ Personal assistance through classroom training

The 'Up to Youth' program is targeted towards young people up to 35 years old and combines group training with personal advice and support from mentors. The trainings are carried out in three meetings⁷ that first introduce the basics of business creation, followed by a practical workshop where participants learn how to prepare their business plans and perform group assignments. The final session is dedicated to the sources of funds

for starting a business, including the presentation of the microcredit offer of PerMicro. Mentors offer individual support in developing the business idea and verifying basic assumptions.

Each course consists of three, two-hour sessions with up to 20 participants. The training is delivered by mentors and PerMicro loan officers.

PerMicroLab collaborates with

colleges, social innovation centres, NGOs, associations, municipal councils and chambers of commerce to organize the logistics and promote the event. The venue is arranged by a partner institution while PerMicro provides training materials. To register, participants complete a short application form online at the website of PerMicroLab.

⁷ The topics of the three meetings are: 1) Starting a Business, 2) Start-Up Lab, 3) Credit for the Idea

KEY RESOURCES

PerMicroLab uses the following resources to deliver business development services:

Physical resources:

- ➔ PerMicroLab uses its office and equipment only for back office functions as the program activities are carried in other locations.
- ➔ CRM system: a sophisticated online system for managing the

mentoring program where mentors upload information about their assignments.

Intellectual resources of PerMicroLab include the 'Up to Youth' training program, which is its intellectual property.

Human resources:

- ➔ Mentors: 76 volunteers work with

PerMicroLab to deliver mentoring services.

- ➔ PerMicroLab staff: 3 people are involved in coordination of the activities of the institution.

Financial resources that are at the disposal of PML are grants and donations.

COST STRUCTURE

PerMicroLab had some **investment costs** to create the entrepreneurial education programme, but the costs were primarily staff time because the CRM software for mentors was developed pro bono by a consulting company.

The following costs are incurred during

the implementation of the services: **fixed costs** (personnel expenses, office expenses, ICT maintenance costs) and **variable costs** (mentors' travel and accommodation allowance, insurance, logistics costs of the monthly mentor meetings, logistics costs of the monthly mentor meetings, logistics costs of the 'Up to Youth' trainings, training materials for the 'Up to Youth' program).

PerMicroLab benefits from free contributions, including the time spent by mentors, since they work as volunteers, and time spent by loan officers. Guest speakers at 'Up to Youth' events are also volunteers.

REVENUE STREAMS

All services are provided free of charge to its recipients. The operational costs of PerMicroLab are covered by donor funding.

5.5. Qredits in the Netherlands



Founded in 2009, Qredits is a non-profit microfinance institution in the Netherlands. Its mission is to stimulate

new business start-ups and invest in existing businesses. Qredits does so by helping entrepreneurs (and would-be entrepreneurs) make an informed choice for entrepreneurship, increasing business opportunities and the survival rate of businesses, providing opportunities for entrepreneurs to become financially/economically independent and to bridge the gap for new entrepreneurs to enter the

mainstream financial sector. Since inception, Qredits has issued loans to 9.500 entrepreneurs with a total value of 190 million EUR. During 2016, Qredits served 1.750 clients with financial services (1.645 microloan clients and 105 SME clients) and over 5.500 beneficiaries with non-financial services (950 mentoring recipients, 4.550 training participants).

Entrepreneurship Education at Qredits

VALUE PROPOSITION

Qredits offers a broad package of business development services, including entrepreneurship education, to support current and potential entrepreneurs in business creation and development. Qredits assists the potential entrepreneur with common issues and questions that they face when starting a business.

The questions refer to the procedure of registering a company, obtaining necessary permits, planning sales and revenues, developing a marketing plan, etc. In addition, specialized assistance is offered in such areas as business planning, finance and administration, sales and marketing, human resources, personal effectiveness and crisis

management and reorganization. Apart from access to knowledge, Qredits provides their customers opportunities to discuss their ideas, talk them over with experienced entrepreneurs and other specialists in order to see things more clearly.

TARGET CUSTOMERS

The customer segments served are determined by Qredits' mission and vision. Qredits offers entrepreneurship education to the following client segments:

- ➔ Entrepreneurs with a registered

business: Qredits borrowers as well as non-borrowers

- ➔ Start-up entrepreneurs: new ventures in the start-up phase
- ➔ Potential entrepreneurs: people who are considering starting a

business and those who might consider opening a business (students, unemployed, school dropouts).

CUSTOMER RELATIONSHIPS

Business development services are delivered in different ways to different customer segments, including: one-

➔ One-on-one mentoring programme

Mentors provide advice and support entrepreneurs (existing businesses and start-ups) in developing their business. Apart from sharing knowledge and experience with the entrepreneur, the mentor works jointly with the entrepreneur to answer questions and find solutions to various problems.

The mentoring program lasts twelve

on-one mentoring program, self-service with e-learning courses and personal assistance through classroom

months for Qredits borrowers and six months for non-borrowers. During the period, the mentor and entrepreneur meet at least once a month, usually at the business place of the entrepreneur, and remain in contact via phone and by e-mail.

Entrepreneurs choose their mentors through the Coachingsplein (Coaching

trainings.

Square) where they can review the list of mentors available in their region and their areas of expertise. After selecting the mentor and paying for the service, Qredits staff sends the customer information to the selected mentor who then has ten days to make contact with the customer. Mentor and mentee work out the mentoring program together.

Relationship Mentor - Entrepreneur - Front office staff

The majority of mentoring recipients are Qredits borrowers; however, financial and non-financial services are delivered separately. Only in the initial stage of service promotion do the same staff (intake and loan officers) offer both types of services.

During the first contact with a potential client, Qredits intake officers promote templates, mentoring and e-learning courses. These services are particularly promoted among entrepreneurs whose loan application

indicates business weaknesses. The role of the loan officer is to also offer non-financial services to improve the business performance. From then on, the loan officer continues only with the loan service while the clients themselves decide about using the mentoring service, select a mentor and, if necessary, are assisted by the mentoring department staff, not the credit department.

Once the mentoring service is contracted, the mentor works directly

with the customer to prepare the mentoring plan and uploads the information about its progress to the MijnQredits platform. However, information about the business performance of the borrower is confidential and the mentor does not inform Qredits even if there is risk of loan default. In case of business problems, the mentor will suggest contacting Qredits to discuss loan adjustment options or make use of a special mentoring program, 'Crisis Management,' offered by Qredits.

Building relationship with mentors

Qredits engages regional coordinators to develop and maintain a pool of mentors specializing in different areas of business development and living in different regions of the Netherlands. Relationships are established with institutions such as banks, audit firms and accounting offices to source mentors. Candidates for mentors

are invited for the introductory interview/meeting (1.5 hour) with a regional coordinator who explains what mentoring in microfinance entails and provides information about the expectations of the mentor. Prospective mentors then go through the e-learning course, 'Microfinance Mentoring,' which introduces Qredits'

vision and mission, services and mentoring techniques. Each quarter, Qredits organizes a peer review meeting for mentors. Usually, a professional trainer is invited to deliver a skills training to benefit the mentors and upgrade their skills.

Self-service with e-learning courses

Qredits has developed three e-learning modules that can be used by entrepreneurs for individual, unassisted learning: How to Write a Business Plan, How to Write a Sales Plan, Credit Management. The courses are available on-line and can be accessed through computers and tablets. They are very interactive

and have different learning styles incorporated, including videos. The completion of each course takes about 8-15 hours. The process of sales and delivery to the customers is fully automated. Customers interested in an e-learning course create a Qredits account at www.qredits.nl/academy.nl, choose the course and after making

the online payment receive an access code to the purchased course. The Help Desk provides assistance if there are any technical difficulties in accessing the course. Additionally, planning tools (business plan and financial plan templates) are available on-line.

Personal assistance through classroom training

For potential entrepreneurs, such as students, vulnerable adults and others interested in starting a business, Qredits has developed an educational program called EigenBaas (Be Your Own Boss) where participants can test their entrepreneurial spirit, learn what it takes to start a business, write

a business plan, present themselves and sell their product. They can also prepare their own business plans and practice a business plan pitch.

The EigenBaas program consists of lectures and individual work, with help of the e-learning module "Ik word

EigenBaas' (I am my own Boss), to write a business plan and then pitch it in front of a jury panel. Students of high schools, vocational and bachelor-level schools are offered the EigenBaas program as part of their school curriculum. For adults, the program is delivered by evening classes.

EigenBaas program for students

Qredits cooperates with vocational colleges, high schools and bachelor-level schools. As Dutch schools have high levels of autonomy in setting their curriculum and entrepreneurship education is not explicitly recognized as a compulsory part of curriculum,

Qredits approaches each school individually to establish a relationship. Qredits provides the program curriculum (teacher's manual), access to the e-learning course (Be your own Boss), participates in the kick-off event, provides a guest lecture,

participates in the pitch event in front of a jury panel and provides certificates of course completion. Qredits is also planning to introduce a workbook that will accompany the program. The school incorporates the program into the teaching curriculum, creates the

class schedule, arranges the logistics and secures students' attendance. One teacher is assigned to coordinate

EigenBaas program in evening classes

Even though there is no national strategy for entrepreneurship education in the Netherlands, the State supports various entrepreneurship education initiatives. Examples of such support are subsidies from provincial and municipal councils for vulnerable

Business Bootcamps

Qredits is currently rolling out a new initiative called Business Bootcamps.

the program, especially at the stage of student interaction with the e-learning course. A group of teachers also

groups (unemployed, school dropouts) to attend the EigenBaas program.

The evening classes are organized on the premises of colleges that implement the EigenBaas program for students. Classes are organized

This is a one-day training given by professional trainers to help

participate in the business plan pitch where students present the results of their work.

once per week for three hours in the evening with the total of ten meetings. Lecturers are Qredits mentors, loan officers, professionals (for guest lectures) and college professors. Up to 20 participants take part in each course.

entrepreneurs give their business a boost.

KEY RESOURCES

Qredits uses the following resources to deliver business development services:

Physical resources. The use of physical assets such as offices and office equipment is limited but the use of the on-line resources is intensive. Qredits has developed several types of on-line resources:

- ➔ Web sites: www.qredits.nl, www.eigenbaas.nl and the English website qredits.com provide information about the programs and resources available to clients and beneficiaries, offers the schedule of upcoming classes, allows for the on-line purchase services and gives access to the e-learning course content online.
- ➔ Portal 'Coachingsplein' (Coaching Square) facilitates access to mentoring services by presenting profiles of mentors.
- ➔ Portal 'MijnQredits' facilitates the management of mentor-mentee relationship.
- ➔ Cloud-based 'Salesforce' application. A back-office facility

that manages on-line service sales

- ➔ LMS (Learning Management System) hosts and manages access to the e-learning courses.

Intellectual resources. Qredits has developed several programs and tools:

- ➔ Five e-learning modules: (1) How to write a business plan, (2) How to write a sales plan, (3) Credit management, (4) Microfinance mentoring and (5) Become your own boss.
- ➔ Tools: Business plan template, Financial plan template and Entrepreneurial competency test.
- ➔ EigenBaas program teaching curriculum - two teaching curriculum for the programs delivered in schools and evening classes.

Human resources. The following human resources are used to deliver entrepreneurial education:

- ➔ Mentors: 600 experienced entrepreneurs and business

professionals provide voluntary services.

- ➔ Mentoring department: staff of this department includes regional coordinators (6 volunteers), mentoring coordinators (1.5 FTE employees) and the Qredits Academy Team (4 employees).
- ➔ Educational theory expert (development of new training courses).
- ➔ Loan officers (18 employees).
- ➔ IT staff (2 employees).
- ➔ International relations manager (coordination of translations and adaptations of the e-learning courses to other languages and settings).

Financial resources. Qredits has benefit from grants and donations from supporters, especially at the time of developing the services. However, Qredits aims to achieve self-sustainability with its non-financial services, so sales revenues make up an important part of the overall budget.

COST STRUCTURE

Initially, Qredits had to make a significant investment into the development of the services. **Investment costs** included the e-learning course curriculum development and programming, LMS platform purchase, MijnQredits and Coachingsplein platform development, as well as the personnel expense to cover staff time for managing the preparation phase.

The implementation of the business

development services has two cost categories: fixed and variable costs. **Fixed costs** include personnel expense, ICT maintenance, and overhead, a share of the administrative and managerial costs of Qredits operations. The **variable costs** include mentors' travel allowance, logistics costs of the annual meeting of mentors, marketing materials for the EigenBaas program, workbook and writing materials for the EigenBaas program, as well as the investments in the development of

new programs such as the Boot Camps and ICT solutions.

Qredits business model is based on voluntary contributions of time, so the following items are **cost-free**: mentors' work, regional coordinators' work, and guest lecturers in the EigenBaas program (note: guest lecturers for the evening classes do get paid for their services).

REVENUE STREAMS

In order for Qredits to create a sustainable business model for its non-financial services, it decided to charge nominal fees for its mentoring services and certain tools. The effect is two-fold: clients are more invested and the branch of the business no longer needs to depend on subsidies.

Although the long-term plan is to become self-sustainable, the educational program of Qredits is still

subsidized with grants.

- ➔ Retail sales. Qredits sells the following services directly to the customers: mentoring services, e-learning courses, evening classes with the EigenBaas program and Business Bootcamps.
- ➔ Wholesale. Qredits sells educational packages to institutions which deliver the education to its customers and beneficiaries:
 - » EigenBaas program for students

is sold to vocational schools, colleges and universities

- » EigenBaas program for evening classes is sold to partner institutions
- » e-learning course 'How to Write a Business Plan' is sold to other MFIs, NGOs and other institutions working with entrepreneurs
- ➔ Donations

Table 6

➔ Comparison of Entrepreneurship Education Programs

INSTITUTION	ADIE		PERMICROLAB		QREDITS		
Value Proposition	Building capacity of current and future entrepreneurs in starting and developing businesses.						
Target Customers	Current entrepreneurs	Potential entrepreneurs		Current entrepreneurs	Potential entrepreneurs	Current entrepreneurs	Potential entrepreneurs
	<ul style="list-style-type: none"> ➔ Existing businesses and start-ups ➔ Borrowers and loan applicants 	Youth 18-32 years	General population	<ul style="list-style-type: none"> ➔ Start-ups ➔ PerMicro loan applicants 	Youth up to 35 years old	<ul style="list-style-type: none"> ➔ Existing businesses and start-ups ➔ Borrowers and non-borrowers 	<ul style="list-style-type: none"> ➔ Students ➔ Unemployed ➔ General population
Customer Relationships	<ul style="list-style-type: none"> ➔ Mentoring: One-on-one personal assistance ➔ e-learning: Self-service through internet resources 	<ul style="list-style-type: none"> ➔ 'CreaJeunes' program: Classroom training combined with individual advice 	<ul style="list-style-type: none"> ➔ Workshops: Classroom training and individual advice ➔ Information sharing and advice 	<ul style="list-style-type: none"> ➔ Mentoring: One-on-one personal assistance 	<ul style="list-style-type: none"> ➔ 'Up to Youth' program: Classroom training and individual advice 	<ul style="list-style-type: none"> ➔ Mentoring: One-on-one personal assistance ➔ e-learning: Self-service through internet resources 	<ul style="list-style-type: none"> ➔ EigenBaas program: Classroom training ➔ Self-learning ➔ Assignment work ➔ Individual advice
Key Resources	<ul style="list-style-type: none"> ➔ Physical - Adie offices ➔ Intellectual - e-learning videos and fact sheets, training and workshop curricula ➔ Human - mentors, volunteer coordinators, front-line credit staff ➔ Financial - donations 		<ul style="list-style-type: none"> ➔ Physical - back office equipment, CRM software ➔ Intellectual - training curriculum ➔ Human - mentors, PerMicroLab staff ➔ Financial - donations 		<ul style="list-style-type: none"> ➔ Physical - on-line platforms and portals ➔ Intellectual - educational curricula ➔ Human - Qredits staff, mentors ➔ Financial - donors and sales revenues 		

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