FINANCIAL EDUCATION IN KENYA

SCOPING EXERCISE REPORT

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FSD Kenya
Financial Sector Deepening

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Acronyms

ASCA	Accumulating Savings and Credit Association
AMFI	Association of Microfinance Institutions
BDS	Business Development Service
CBK	Central Bank of Kenya
CBT	Community Based Trainers
FACT	Fair and Accurate Credit Transaction
FDIC	Federal Deposit Insurance Corporation
FEP	Financial Education Partnership
FSA	Financial Service Associations
FSD	Financial Sector Deepening
GFEP	Global Financial Education Programme
JKUAT	Jomo Kenyatta University of Agriculture and Technology
KAIG	Kenya Association of Investment Groups
KIE	Kenya Institute of Education
KBC	Kenya Broadcasting Corporation
KFEC	Kenya Financial Education Centre
KWFT	Kenya Women Finance Trust
MFI	Micro-Finance Institution
NGO	Non Governmental Organisations
NSE	Nairobi Stock Exchange
ROSCA	Rotating Savings and Credit Association
SACCO	Saving and Credit Cooperative
SCC	Swedish Cooperative Centre
SIFE	Student In fee Enterprise
VSLA	Village Savings and Loan Associations

EXECUTIVE SUMMARY

At the encouragement of stakeholders in the financial services sector, FSD Kenya is fostering the development of a national financial education programme. In May, 2008 it sponsored market research to address key questions that will inform a strategy for such a programme. This report covers all aspects of this exercise. It provides a definition and rationale for financial education, summarizes current activities in financial education in Kenya, sketches a framework for a national programme and presents profiles of five pilot projects that stakeholders have proposed.

Financial education teaches the knowledge, skills and attitudes that people can use to adopt good money management practices for earning, spending, savings, borrowing and investing. It is often confused with business education; hence, the need to further define financial education by what it is not. Financial education is not a business development service (BDS); it does not teach how to write a business plan, nor on how to run a business nor the related skills of costing, pricing, or record keeping. Rather, financial education develops financial literacy about a broad range of basic financial skills and is therefore relevant to anyone who makes decisions about money.

On an **individual level**, financial literacy helps households to use scarce resources more effectively, choose the financial services and products that best meet their needs and shift from reactive to pro-active decision-making. On an **institutional level**, financial institutions use financial education to better meet client demand, gain competitive advantage, foster informed consumers and enhance their standing as good corporate citizens. Financial literacy is a win-win proposition for clients and institutions: Informed consumers make better clients, who in turn represent reduced risk for financial institutions and contribute to a stronger bottom line.

On a **market level**, informed consumers play a monitoring role in the market, weeding out bad practices and providers. Informed clients are better able to put pressure on financial institutions for appropriately priced and transparent services.

A changing landscape makes financial education more relevant now than ever. A proliferation of financial service providers has begun to reach down to the low income market. Paralleling this diversity of institutions are new products that respond to the life cycle and market pressures facing low income households. The widely held assumption that the key issue for the poor is access to financial services as opposed information about them must be challenged in light of this proliferation of options.

Kenya is a good example of these changes. A significant portion of its population is still unbanked, and a dynamic financial sector, led by Equity Bank, is moving into that market. After abandoning rural branches in the 1990s, banks are now expanding their rural presence with new branches, mobile banks and other touch points linked to mobile phones and point of sale devices. This new supply of services, technologies and products calls for financial education to help consumers navigate through the options.

The current status of financial education in Kenya is defined by a limited experience, some scepticism, and a small but eager group of advocates from most parts of the sector.

MFIs have a long relationship with training, and for most it is linked with their credit methodology. While the common group structure with its regular meeting can be seen as a ready-made channel for ongoing client education, several factors mitigate against developing this opportunity, including the cost of training and the time limit set on group meetings (in order to control the opportunity cost of borrowing for clients). Nevertheless, three Kenyan MFIs, KWFT, Faulu and Jamii Bora, stand out for their commitment to training.

SACCO membership counts approximately three million Kenyans; an estimated 12% of the population save with SACCOs while 3.9% borrow from them[1]. The Swedish Cooperative Centre (SCC) has made delivering financial education to SACCO members a primary goal.

The recent expansion of CARE's model for Village Savings and Loan Associations (VSLAs) presents a concrete opportunity to deliver financial education in rural areas. Given their tendency to replicate rapidly, VSLAs offer a potent delivery platform for financial education. Swiss Contact and SCC, have already invested in this platform and are keen to further develop their efforts.

1 Johnson, Susan and Max Nino-Aarazua, Financial Exclusion in Kenya: An Analysis of Financial Service Use, Centre for Development Studies, August 2007

Apart from an enthusiastic endorsement of financial education by the Central Bank, commercial banks' engagement is somewhat tentative. Some banks feel that financial education is best handled by their CSR or microfinance departments, under the assumption that low income households are the main target. The exceptions are Equity Bank and PostBank, both of which have invested in financial education.

The vision for a financially literate Kenya makes financial education available at all socio-economic levels. This goal calls for a national programme the objectives of which are to 1) improve Kenyans' financial management 2) foster effective use of financial services and 3) advance consumer protection in the financial marketplace.

The vision to create a financially literate Kenya will rely on four channels: the formal educational system, mass media, face-to-face interaction sponsored by the financial sector itself and legislation/regulation. The financial sector will expand its outreach by partnering with other civil society organizations. The fourth channel, legislative action, does not directly involve the delivery of financial education, but rather, the legal mandates to enable and enhance delivery.

The vision for financial education is national; its delivery is multi-faceted; the implementation will be the product of a public/private partnership between government, the corporate sector and civic organizations. The public side includes ministries, regulatory agencies and the Central Bank. These 'macro' level players bring financial education to a national scale with budget and legislative support, inclusion in schools and mandates for the commercial financial sector.

The private side is constituted by 'meso' level, support organizations such as networks and professional associations (of insurers, bankers, brokerage firms, etc.) that support their members to deliver financial education. At the retail or 'micro' level, providers fund, design or deliver financial education to end users. A wide range of civic institutions is likely to facilitate the delivery of financial education to their constituencies. Participants at this level can achieve a presence in any or all of the delivery channels.

Linking these two pillars will need an independent coordinating entity that works both sides, promoting synergies between them. This body must be neutral and independent to ensure its credibility. It should be singular in focus, existing only to advance financial education. Key aspects of its role are to cultivate a vision for the programme, market financial education to stakeholders, research financial education resources, and define a policy agenda for consumer protection.

Finally, actual work on the ground in the nuts and bolts of financial education (curriculum design and delivery, teacher and facilitator training, public campaigns) is needed to inform, motivate and inspire the public/private participants in the partnership. Such pilot projects will 'feed' the programme from the bottom while the actors at the top create space for financial education in their respective spheres. Stakeholders have proposed five pilot projects that range from direct training of clients to TV dramas that incorporate financial education themes.

Chapter 1

INTRODUCTION

FSD Kenya supports the development of inclusive financial markets in Kenya as a means to stimulate wealth creation and reduce poverty. While recent developments on the supply side of the financial markets are likely to improve access to financial services, the demand side must also be stimulated. Increasing financial literacy offers one path to accomplish this goal. Financial education can help excluded populations to understand and assess the available services in order to become effective users. Beyond building inclusive financial markets, several other factors in Kenya point to the urgent need for financial education, including the large numbers of 'unbanked', significant changes in the financial services industry, and vulnerability to fraud.

At the encouragement of stakeholders in the financial services sector, FSD Kenya is helping to lay the foundations for the development of a national programme of financial education. In May, 2008 it sponsored a scoping activity to ensure that a strongly demand driven approach is taken in moving forward. Consultants from the Global Financial Education Programme of Microfinance Opportunities in Washington DC interviewed dozens of financial services representatives to address key questions that will inform a strategy for a national programme.

The consultants sought to identify existing interest in and engagement with financial education in Kenya among banks, MFIs, NGOs, and SACCOs. These discussions highlighted key objectives and themes of a future financial education programme in Kenya. In exploring options for delivering financial education, they also met with experts in mass media and education which resulted in the articulation of three possible delivery channels that could be cultivated in the context of a national programme. Specific interest in launching pilot efforts in financial education was identified and organizations were encouraged to develop their project concepts. The culmination of the scoping exercise was a workshop for all stakeholders to review the findings, sketch a framework for a national programme and confirm participants' interest in and commitment to moving forward.

This report covers all aspects of this exercise. It provides a definition and rationale for financial education, summarizes current activities in financial education in Kenya, presents profiles of five pilot projects and concludes with the group's vision for a national framework.

Chapter 2

FINANCIAL EDUCATION: DEFINITIONAL RATIONALE

2.1 DEFINITION

Families at all income levels share the same aspirations – economic security for themselves, their families and future generations. To be poor is to have these goals with fewer resources and opportunities to achieve them. Pressures on cash flow are persistent and often urgent, making good management a daily challenge. Future planning is difficult when people who struggle to secure a steady income day-to-day face unexpected events such as death, illness or natural disasters that draw down hard won gains. To set aside even small amounts of money, poor people not only need to be careful spenders, but informed, skilled money managers as well. Giving them the tools and the power to do this is what financial education is all about

Financial education teaches the knowledge, skills and attitudes that people can use to adopt good money management practices for earning, spending, savings, borrowing and investing.

Financial education is often confused with business education, particularly by financial service providers that engage in the latter. Hence, we have found the need to further define financial education by what it is not. Financial education is not a business development service (BDS); it does not teach how to write a business plan, nor on how to run a business nor the related skills such as costing, pricing, record keeping, marketing and customer service.

Rather, financial education develops financial literacy about a broad range of basic financial skills, from saving to managing debt to investing. As such, it is relevant to a broader audience than entrepreneurs; indeed, anyone who makes decisions about money can benefit by becoming financially literate. Women often assume responsibility for household cash management in unstable circumstances and few resources to draw upon. Financial literacy can prepare them to anticipate life-cycle needs and deal with unexpected emergencies. For youth, financial education can enhance their skills in managing money as they enter the world of work and reduce their vulnerability to the risks associated with the transition to adulthood. Ultimately, maintaining financial literacy is a lifelong process for everyone and learning needs will evolve with age. Financial literacy incorporates learning about financial service providers, their products, and how these can meet changing financial needs from saving for education to financing retirement.

2.2 RATIONALE: WHY IS FINANCIAL EDUCATION IMPORTANT AND WHY IS IT IMPORTANT NOW?

In general, financial education has a valuable contribution to make at multiple levels in the economy. Greater financial literacy should have positive effects on a wide range of individual consumers, the financial institutions they use and the marketplace for financial services.

1. On an **individual level** the lack of financial literacy makes people more susceptible to the devastation caused by emergencies, over-indebtedness, over-zealous retailers or fraudulent schemes. Through financial literacy households are able to use scarce resources more effectively, choose the financial services and products that best meet their needs and shift from reactive to pro-active decision-making. Informed decisions to budget, save and borrow carefully will enhance financial stability, ability to plan for the future and family welfare.
2. On an **institutional level** the lack of financial literacy generates misinformation and mistrust of formal financial service providers. In promoting financial literacy, financial institutions can better meet client demand, gain competitive advantage, foster informed consumers and enhance their standing as good corporate citizens. Financial literacy is a win-win proposition for clients and institutions: Informed consumers make better clients, who in turn represent reduced risk for financial institutions and contribute to a stronger bottom line.
3. **On a market level** informed consumers play a developmental and monitoring role in the market, weeding out bad practices and providers. Informed clients are better able to put pressure on financial institutions for appropriately priced and transparent services.

Beyond this general outline of the benefits of financial education, the rationale for fostering financial literacy at this time is linked to the current financial institution landscape and its evolving intersection with low income households, throughout the developing world, and in Kenya particularly. Basically, the financial marketplace in many developing countries is becoming more complicated, with the new products, new technologies, and increased competition.

A proliferation of financial service providers has begun to reach down to the low income market. Those providing microfinance now include banks, finance companies, consumer lenders, NGOs, self help groups and village banks. In an increasing number of urban markets, all compete to serve the self employed and low level salaried employees.

Paralleling this diversity of institutions is the emergence of new products that respond to the life cycle and market pressures facing low income households. In addition to the ubiquitous working capital micro-loans, credit for housing and education are now increasingly available. Where banks have entered the market, current account and long term savings services are also options. In a few markets, low income clients have access to insurance coverage for death, outstanding loan balances, and even health care costs.

The widely held assumption that the key issue for the poor is access to financial services as opposed information about them must be challenged in light of this proliferation of options. Lacking information about their choices, clients frequently do not grasp how to choose among them. Many of the new products incorporate a range of features, benefits, costs and obligations that may be unfamiliar to those who are new to banking. To truly benefit from this expanded range of options, the poor need to be able to effectively compare their features and make informed decisions about which products will best serve their needs. While increasing diversity in the financial sector is a welcome, positive development, it is occurring under an erroneous assumption that clients who have successfully managed informal debt can also manage new products that may be more complicated or formal. Even when financial institutions do distribute promotional materials that state their rates and fees, the utility of this information is limited if the consumer does not know how to interpret it.

Financial education imparts knowledge and skills that lead to behaviour change, helping low income consumers move from reactive instincts that help them stay one step ahead of the next crisis to proactive financial decision-making. This informed decision making will serve low-income households well as their use of microfinance services gradually integrates them into the broader financial system.

Kenya is a good example of the changes outlined above. A significant portion of its population is still unbanked, and a dynamic financial sector, led by Equity Bank, is moving into that market. After abandoning rural branches in the 1990s, banks are now expanding their rural presence with new branches, mobile banks and other touch points linked to mobile phones and point of sale devices. This new supply of services and products calls for financial education to help consumers navigate through the options. On the demand side, an interesting dimension of Kenya's need for financial education is the enthusiasm for investments. Kenyans are eager to participate in the stock market and other investment opportunities. Yet, their enthusiasm is not often matched with knowledge, resulting in a high vulnerability to fraud, as evidenced by widespread losses to pyramid schemes in recent years.

While the rationale for promoting financial literacy draws on observations about the evolving financial service landscape emerging in many developing countries; it is highly relevant to the situation in Kenya. But Kenya also offers a highly diverse market for financial education. A successful programme here will require identifying market segments to be targeted, content that is relevant to each segment, and delivery channels that are appropriate to the knowledge, experience and literacy levels of each target group.

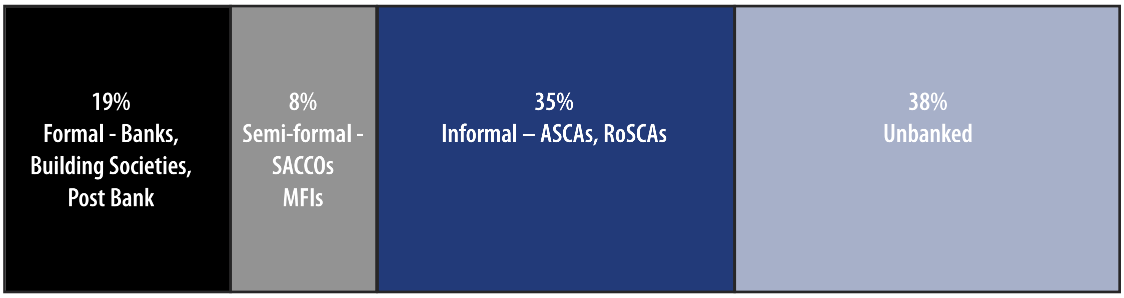
Chapter 3

FINANCIAL EDUCATION: OBJECTIVES, TARGET MARKET AND THEMES

The broad goal of financial education is to improve financial decision-making in order to increase financial stability, plan for the future and build wealth. This goal translates into a myriad of more specific objectives that vary with context and target group. A programme targeted to the 'unbanked', for example, would be guided by objectives to promote savings, build knowledge of safe savings options and improve capacity to budget and plan. In contrast, a programme targeted to those who use banks would more likely aim to expand consumers' knowledge of bank products and services, improve their ability to compare these offerings and help them to select the products that best suit their needs.

There are various parameters upon which markets can be segmented. Figure 1 below shows market segments as determined by financial access, extracted from the FinAccess Study 2006[2] . This data formed the basis of a discussion of the target market/population for financial education in Kenya at the financial education workshop in Nairobi on May 9, 2008. Participants were asked to vote for the segment they would target with financial education and provide reasons for their choice. (Voters selected one of three choices; formal/semi-formal; informal and unbanked.)

Figure 1: The Financial Access Strand



3.1 FORMAL AND SEMI-FORMAL SEGMENT

Of 28 participants, about 21% voted to target the formal and semi-formal market segment, citing three main reasons: First, those who already have access to financial services can most easily translate the education to practice. The population in this segment is largely literate and would easily assimilate and use the information gained from any financial education initiative. Second, minimal time and effort would be required to bring about positive behaviour change because the information is actually already available to this segment; it just needs better presentation. Third, the banked segment would be a starting point to transmit the knowledge to the informal market.

3.2 INFORMAL SEGMENT

About one half of the participants (50%) voted to target those who predominantly use informal financial services such as ASCAs, RoSCAs, VSLAs, and FSAs. This segment is large and presents a huge potential for behaviour change because its participants are already financially aware and active; they are 'ripe' to be empowered through financial literacy and ready to 'graduate' to more formal financial services. Targeting those using informal services also offers the strong opportunity to attract the unbanked population as they are often from the same families and communities.

3.3 UNBANKED SEGMENT

Fourteen percent of the participants chose to target the unbanked -- those who do not use any form of financial services -- because this segment is not currently being reached in any other way. In contrast to the other two segments, these people do not have the benefit of experience with financial institutions. Yet, they represent the growth market for many banks that are downscaling, and it is critical that they get the information they need to use newly available financial services. While downscaling may be positive in terms of increased access, ill informed, inexperienced consumers are at risk of 'getting their fingers burnt' as they are exposed to a new range of financial products and services. The risk of negative experiences with financial services and resulting mistrust may well counter balance the positive steps that may have been made towards increasing access to them.

An important point about the goal of financial education was made in the context of the unbanked. There are wealthy people, particularly in the rural areas, who may be 'unbanked'. They have

The FinAccess Study 2006 is a national household survey conducted in 2006 (through the support of FSD Kenya) to establish levels of access to financial services by Kenyans across the country.

different ways of generating and maintaining their wealth. The point of financial education is not necessarily to get people to open bank accounts; rather, it is to help people manage their money wisely and well. For the unbanked who have wealth, financial education might emphasize the opportunity costs of various wealth maintenance options.

It is important to note that the three market segments depicted here are broad; each can be divided into other smaller segments which are more meaningful in designing a financial education programme. Further segmentation could be based on criteria such as gender, age, geographical area, or type of economic activity. A national programme will eventually operate at multiple levels, mindful of the differing needs of distinct market segments. At this point, however, stakeholders identified their priorities for the content of financial education. Everyone had both personal and professional stories to illustrate the needs they named.(See Table 1)

Table 1:Priority Themes for Financial Education

PRIORITY THEMES FOR FINANCIAL EDUCATION	
1. Savings • Value of savings • How to save, savings discipline • Where to save • Understand savings products **2. Planning** • Setting financial goals • Making a budget • Using a budget **3. Debt Management** • Why borrow • When to borrow • How much to borrow • Avoid over-indebtedness • Where to borrow (choosing between lenders) • Loan products and terms	**4. Bank Services** • Why and how to use money transfer services • E-banking and M-banking • the difference between non-regulated and regulated financial institutions • bank instruments **5. Investments** • Investment opportunities • How to choose investments • How to recognize fraudulent schemes • Recognize false lure of 'get-rich-quick schemes' • Recourse when financial institutions fail

Chapter 4

FINANCIAL EDUCATION: CURRENT STATUS

4.1 BANKS AND BANK SERVICES

4.1.1 Central Bank of Kenya

The Central of Kenya has a direct interest in financial education which it sees as part of the bank supervision department's mandate particularly with a view to enhance consumer protection. CBK is currently involved in an effort to make bank charges available to the public and thus facilitate comparison. Its other priority financial education themes include the understanding the difference between non-regulated and regulated financial institutions, rules on money laundering and bank instruments such as cheques. In the past, CBK made efforts to educate the public on the basics of banking but cost constraints challenged taking the project to scale. The CBK points at major obstacles to financial literacy as being a disintegrated financial system, lack of a legal framework that guarantees consumer rights and protection, and lack of a solid financial education curriculum. The bank is however keen and very willing to support efforts towards a national financial education programme, and is a likely candidate for championing the course at national level.

4.1.2 Commercial Banks

Commercial banks' engagement with financial education mainly lies in their marketing activities. They participate in exhibitions where they get the opportunity to engage with the public and talk about their products and services. For instance, banks participate in the popular annual homes and property exhibitions to educate the public on their mortgage loan offerings. Other forms of financial education are targeted to existing customers as a value added services. For instance, NIC Bank, a mid-sized bank targeting the upper middle class, has a quarterly e-newsletter on personal finance tips which it distributes electronically to its clients.

Commercial banks in Kenya are strongly driven by the profit motive and highly competitive. Consequently, they need to view any financial education activity as both impacting positively on their bottom-line and helping gain competitive advantage. As long as financial education is positioned as a social/public good, it may be challenging to get banks interested. A few of the banks felt that financial education was best handled by their CSR or microfinance departments, under the assumption that low income households are the main market for financial education. The challenge will be to get banks to appreciate the importance of financial education for their clients – to help them understand the range of products and services available, to use bank services more, and more effectively, and reduce their vulnerability to fraudulent investment schemes.

We were able to speak with Equity Bank, PostBank and VISA [3].

4.1.3 Equity Bank

Equity Bank's engagement with financial education occurs at two levels: Focusing on the unbanked as a strategic growth market, it is developing and testing an approach to training these new clients, particularly youth and women. Financial education is also integrated with several of its marketing activities.

In May 2007, Equity launched new lending programs targeting youth and women, the former under a GOK sponsored programme which made capital available to select MFIs and banks to on-lend to youth at a mandated 8%, with maximum loan size of KShs/100,000. Equity's women's products, on the other hand, are not as proscribed by the government. Using its own capital, Equity offers 6 different products to women (two group loans and four individual loans). To access these loans, both groups must form enterprise clubs of 15-30 members, save 10% of the amount they want to borrow and attend a six-week training programme. Currently there are 1500 youth clubs and 3000 women's clubs in all 76 districts, served by 120 credit officers. While they are motivated by the opportunity to access credit, eventually they will start using Equity's infrastructure and services that will generate fees (ATMs, SMS banking) and long-term benefits for both the client and the bank.

The bulk of Equity's training focuses on how to manage a business (record keeping, analyzing an enterprise's financial data, planning for business growth), although clients' tendency to blend personal and business finances means personal financial planning is an inherent part of the curriculum. Delivered by Equity staff at seminars bringing together 3-5 groups, the training is followed up in each group's weekly meeting where members have more opportunities to ask questions. As it pilots this programme, Equity is grappling with its implications: the time training demands for the credit officer, the degree of mentoring that clients in these segments require, and the cost of these services. How should the bank manage this training function? Should it continue to build in-house capacity (currently, a staff of 22 introduce the training in the branches and train staff to offer it to clients) or contract it to outside firms?

3 While VISA is not a bank, its members are and therefore VISA is included here.

Yet Equity is prepared to bear the cost of training because educating clients enables the bank to:

- Expose clients to the range of Equity Bank products
- Advise clients on the best choice of products
- Educate clients about financial issues outside the banking hall

Outside this relatively new effort to reach women and youth, Equity also offers financial education through some of its marketing and corporate social responsibility initiatives. Examples include:

- Public meetings to build financial literacy;
- TV and radio talk shows (For this significant investment, Equity prefers radio);
- Financial literacy road shows featuring popular artists and comedians, coupled with Equity tents where the public can get individual consultations with bank staff about financial products and investment opportunities
- Exhibits at agricultural fairs
- School-based drama presentations written and performed by students on financial themes that are performed in inter-school competitions.

4.1.4 Kenya Post Office Savings Bank (PostBank)

Wholly owned by the Government of Kenya, PostBank is a slightly different kind of bank with a mission to serve social/public interest. The bank offers a wide range of savings products and is currently involved in financial education through the Student In Free Enterprise (SIFE[4]) Kenya programme. With this programme, PostBank educates the youth in universities countrywide on the importance and modalities of saving as well as the savings products offered by the bank. This way, the bank fulfills both social and marketing goals: it educates for behavior change and promotes its savings products.

In partnership with the Kenya Institute of Education-KIE (the national curriculum development and research centre) and the Kenya Broadcasting Corporation-KBC (the national radio station with the widest outreach), PostBank is also developing a school radio broadcast programme on financial education. This programme will target both teachers and students and will have the same dual objectives as the SIFE programme described above. The programme will be aired every school term for a whole year.

4.1.5 VISA

Visa International launched a financial literacy programme in Kenya in February 2007 as part of their global financial literacy programme. Its purpose is to help consumers -- banked, under-banked and unbanked -- learn to handle their finances, as well as understand the benefits and responsibilities that come with having a bank account. VISA uses a road show to communicate these messages. Last year, road shows were held in major towns in public areas with high foot traffic, and attracted large crowds. They ended with questions and answers sessions, where the public was given the opportunity to both ask and answer and in the process, won give-away items. Additional financial education initiatives planned for this year include financial education seminars through youth and business associations and opinion pieces and cartoon strips in the print media.

4.2 MICROFINANCE INSTITUTIONS (MFIS)

MFIs have a long relationship with training, and for most it is linked with the credit methodology they use. The majority have a standard programme to orient clients to their loan policies and procedures. For those making group loans, an important focus of this training is group formation and dynamics, plus getting and managing a loan. MFI credit officers are, in most cases, the trainers, delivering what is largely a standardized package. While the group structure with its regular (often weekly) meeting can be seen as a ready-made channel for client education beyond the programme orientation, most MFIs use it as such only on an ad hoc basis.

In fact, several factors mitigate against developing this opportunity. The cost of training is a significant barrier, especially if it is to be paid for out of operational revenues. Second, in order to control the opportunity cost of borrowing that their clients have to bear, many MFIs have set a one hour time limit on group meetings. Managing the loan process, including collecting loan repayments, is the main purpose for these meetings that must be met before time can be allocated to other business. Finally, credit officers are trained to manage loans, not provide training.

That said, several MFIs stand out for their commitment to training. They include KWFT, Faulu and Jamii Bora.

4.2.1 KWFT

KWFT organizes annual training events for its clients based on needs assessments. For the most part, these are seminars to which KWFT invites relevant speakers. KWFT views these seminars both as part of its corporate social responsibility and as a way to add value to its services. It pays for venue and food, but the speakers do not charge a fee because they are given an opportunity to promote their products. The risk here is that the speakers may be biased towards their products and may not educate on matters related to making prudent choices in financial services.

[4] SIFE is an international organization that mobilizes university students around the world to make a difference in their communities while developing the skills to become socially responsible business leaders.

4.2.2 Faulu

Faulu has a client education curriculum known as the 'Masomo Series' which is mostly focused on basic business management skills. Faulu also has an arrangement with JKUAT which provides training to its clients on selected business topics at a fee. Occasionally, Faulu will include topics on financial education through its client open days which are conducted by individual branches. One of the branches has organized an information seminar to be held on May 23rd 2008, in which representatives from the Nairobi Stock Exchange will speak about investing in stocks/shares. The seminar will be attended by 200 clients and 200 non-clients and will be fully catered for by Faulu. Faulu does this as part of its corporate social responsibility.

4.2.2 Jamii Bora

Notable for its size (180,000 members nationwide), plethora of programs (microfinance, housing, insurance, utilities, sobriety, etc.) and diversity of loan products (micro, business, health insurance, school fee, housing, water, etc.), Jamii Bora is also highly committed to client training. Its business academy, enrolling most borrowers, offers three modules: general business management, leadership and home economy (nutrition, sanitation, family cooperation). Jamii Bora staff are the trainers for this series that usually requires eight weeks to complete (once per week for 4 hours). Clients pay a fee of 500 shillings for the series.

Because its training is offered independently from the loan application, disbursement and collection, Jamii Bora does not face the same time constraints of other MFIs. It recognizes the need to regularly revise and improve the curriculum. It has experimented with interactive radio instruction, a method that uses a taped programme in conjunction with discussion groups, and has recently purchased airtime on Pamoja radio station to disseminate educational content. Its pursuit of quality training using multiple delivery channels offer opportunities to incorporate financial literacy in its curriculum.

4.3 SACCOs

SACCO membership counts approximately three million Kenyans who typically share bonds of farming or employment; an estimated 12% of the population save with SACCOs while 3.9% borrow from them[5]. This represents a significant market for financial education, and indeed one organization, The Swedish Cooperative Centre (SCC) has made delivering financial education to SACCO members a primary goal.

SCC pursues three programme strands: agricultural development and food security; housing; and financial services. It supports member based cooperative financial services at three levels:

- Macro (policy advocacy),
- Meso (strategic planning and operations of apex organizations) and
- Micro (organizational and leadership development, training capacity)

The Senior Programme Officer for Financial Services within SCC, Charles Mutua, has made financial education the centrepiece of SCC's vision for building SACCO capacity. Mutua envisions that SCC programs in agricultural and business development will foster clients' movement from food security to sale of crop surpluses to investment. SACCO members will need to know how to manage their new wealth. Mutua's many years of experience in microfinance have further convinced him that clients need financial education. He has witnessed many clients climb the loan ladder to nowhere – and crash. Financial service providers' costs rise as they incur the expenses of chasing defaulters who are often defaulting because they take larger loans than they can afford.

SCC has recently completed and published its first financial education curriculum for SACCO clients entitled "Financial Literacy for Wealth Creation". The curriculum is based on SCC's 'study circle' methodology (for which there are many other modules related to agricultural production). Mutua is also looking at how to use the Global Financial Education Programme curriculum as well and has visions of, over time, introducing financial education curriculum to all SACCOs (which are in turn responsible for launching study circles).

4.4 INFORMAL FINANCIAL SERVICES: FSAS, VSLAs, ASCAs

The recent interest in and expansion of Village Savings and Loan Associations (VSLAs) presents a concrete opportunity to deliver financial education in rural areas. Given the tendency of these grassroots organizations to replicate rapidly, they offer a potent delivery platform for financial education. Two organizations in Kenya, Swiss Contact and SCC, have already invested in this goal.

Both organizations have initiated VSLA programs in Kenya. Through its Lake Victoria Development Programme, SCC has fostered the emergence of VSLAs in East Africa that now count 10,000 members, 3,000 of whom are in Kenya. Swiss Contact initiated a VSLA programme in Kisumu (via a contract with CARE Kenya) named "Muvuno" that currently has 16 groups. Swiss Contact has decided

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[5] Johnson, Susan and Max Nino-Aarazua, "Financial Exclusion in Kenya: an analysis of financial service use", Centre for Development Studies, August 2007

to use these savings and loan groups as a platform for financial education. The priority topics are:

- Savings (the value of savings, how to save)
- Debt management (when to borrow, how much to borrow, how to use credit to create wealth)
- Understanding financial services (How to choose a financial institution, benefit from bank services; empower clients to enter into contracts with service providers).

Swiss Contact has incorporated financial education into its VSLA outreach campaign, its 5-day start-up training and its monthly VSLA meetings. To date, the curriculum has been somewhat informal and ad hoc. However, it plans to expand this programme using community based trainers (CBTs) who will replicate the VSLA model among neighbouring communities and serve as the trainers for financial education. For this model to work, CBTs will need to learn a good financial education curriculum that they can teach with confidence. They will also need regular support and supervision to maintain the quality of both the VSLA replications and the training they deliver.

4.5 INVESTMENT HOUSES

Kenyans are very interested in investment, particularly in the stock market. A wide range of Kenyans, from business owners and salaried workers in the urban areas to farmers in the rural areas, invest in the stock market. From 2002 to 2007, the main NSE index rose 787% in dollar terms, according to Standard & Poor's, the investment research firm, making it one of the world's best-performing markets[6].

The Nairobi Stock Exchange, individual brokerage firms and investment banks play an important role in educating the public about investment in stocks.

4.5.1 Nairobi Stock Exchange (NSE)

The NSE educates the public about investing in stocks/shares as one of its core responsibilities. It holds seminars at its premises on request for institutions, investment groups and schools. It distributes a publication and key staff make public presentations upon invitation. While these efforts are commendable, cost constraints limit outreach to and impact with a wider population.

4.5.2 Stockbrokers and Investment Banks

Various stockbrokers and investment banks directly educate their clients about investing in stocks. This is mainly done with new customers who wish to begin engaging in the stock markets. Faida Investment Bank has stepped up its education and taken it to the general public. Faida is currently running a series of short 5-10 minute TV sessions on two local TV stations on 'stock investment tips'. The sessions are reaching a large audience since they are aired during the evening business news, a time when many people are at home watching TV and specifically news. Faida also features various articles on financial literacy on its website.

4.5.3 Kenya Association of Investment Groups (KAIG)

KAIG was established to provide an appropriate forum for the hundreds of investment groups all over Kenya to collaborate towards the achievement of several objectives, one of which is investor education. Through quarterly investment talks and seminars, KAIG uses its network of experts in various fields of investment to provide group investor education for its members.

4.6 MASS MEDIA CHANNELS

Distinct from financial service institutions, financial education is being disseminated in Kenya through traditional mass media including TV, radio and newspapers. For example, on Thursdays, The Nation publishes a supplement dedicated to managing money.

Efforts to use TV and radio for a range of development messages offer relevant models, and even specific significant opportunities for financial education.

4.6.1 Radio

Once dominated by a handful of national radio stations, Kenyan radio has been transformed by the proliferation of FM stations broadcasting in the vernacular. Over 72 FM stations present both opportunities and barriers to mass dissemination of financial education. On the one hand, radio programs can be tailored to specific audiences, increasing the relevance and value of programme content. For example, agricultural programs prepared by FIT Resources are tailored to each region, varying with the dominant crops of each station's catchment area. Of four weekly programs, one in Kalenjin is about maize, one in Kikuyu targets dairy farmers, one in Kamba targets horticulture and the programme targeting Coast province concentrates on fishing and fruit trees. Yet, the popularity of these vernacular broadcasts has resulted in a fragmentation of the market that makes it difficult to achieve national coverage with one programme.

[6] Rice, Xan, "Share Crazy: How Kenya fell in love with their stock market" The Guardian, February 06, 2007.

4.6.2 Television

Television, too, is undergoing rapid change in Kenya brought on in part by the availability of inexpensive, battery operated TVs from China. In addition, there are only four TV stations competing for a national audience. Against this backdrop, one production company, Mediae, has developed a weekly drama serial that both entertains and educates. Over a 13-week series, the show's story line weaves together messages that might include health, education, governance, domestic violence and personal finance. At the end of the show, an actor invites anyone who wants more information about the show's content to send an SMS requesting a free brochure. Every week, this appeal yields 2,000-3,000 SMS messages and the producers maintain a data base now containing close to 50,000 entries that can be mined for impact purposes.

4.6.3 Newspapers

Both The Daily Nation and The Standard, leading newspapers in Kenya, have daily pull-out magazines dedicated to different themes. The Nation's Thursday magazine, entitled 'Money', contains articles and opinion pieces on personal finance. It also has a section on bank rates for their products and services to help people comparison shop. Similarly, on Mondays, The Standard's pull-out "Shillings & Sense" features articles on personal finance, financial planning and bank services.

4.7 DELIVERY CHANNELS

Another way of capturing and presenting the many different types of financial education activities we found is by delivery channel of which we identified three: Face-to-Face, Mass Media and School-based. (See Table 2)

- The face to face channel includes all those activities that involve human interaction, promote discussion and provide opportunities for questions and answers. Group-based training is the most widely known of the activities in this channel, but it also includes discussion groups or manned exhibits that afford the public an opportunity to pick up information and/or ask questions. The principle advantage of this channel is the in depth study of the topic that it permits.
- The mass media channel incorporates both new and old communication technologies. Its strength lies in the ability to reach mass audiences, and includes radio, television and print.
- Finally the school-based channel targets the youth who are the future. If financial education could be incorporated into the national curriculum, this channel would embody the strengths of the other two – in depth learning by thousands of Kenyans.

Table 2 sorts the financial activities identified in the scoping exercise by delivery channel. The institutions listed in each channel are either already engaged in financial education in that channel or are interested starting something. The italicized entries are not actually current activities, but were proposed by respondents in the scoping exercise.

Table 2:Financial Education Activity by Delivery Channel

Face-to-Face	Mass Media	Formal Education (all levels)
• **Client training** - SCC - Swiss Contact - WOCCU - Faulu - KWFT - Equity - Population Council - First Microfinance Agency • **Music/Dance/Drama (Road shows)** - VISA - MPESA - Equity - Faulu • **Exhibits at Ag.fairs / trade fairs/University** - M-PESA - PostBank - Banks - MFIs - AMFI • **FE kiosks in trading centres open on weekly market days**	• **TV Drama / Comedies** - Mediae Co. (producers of "Makutano Junction") • **TV Talk Shows / Call in shows** - Faida Investment Bank • **Radio Talk Shows/Educational programs** - FIT/Mandala • **Interactive Radio Instruction** - Jamii Bora Trust/EDC • **Print materials** - Banks - CBK - NSE • **Campaigns (e.g. "Financial Literacy Month")** - Bill boards - Advertisements - Special promotions - Adverts on vehicles • **FE Videos in banking hall** • **SMS Messaging**	• **School Curriculum** - KIE • **Savings / Investment Clubs / Associations** - PostBank • **Radio Broadcasts in Schools** - Post bank/KIE/ KBC • **Student generated dramas/performances on FE topics. Inter school competition** - Equity • **In school bank branch (open once a week)**

Chapter 5

FINANCIAL EDUCATION IN KENYA: NATIONAL FRAMEWORK

To empower the population with financial literacy, financial education needs to be available at all socio-economic levels. A national programme, championing financial education in its many forms, is needed to reach this goal. FSD Kenya is interested in launching financial education with its aim being to contribute materially to a long-term vision of a more financially literate Kenya. The scoping exercise therefore had the dual task of identifying nascent interest in a concept relatively new to Kenya and of developing a framework for a national programme to move this concept forward. The framework we have begun to sketch is guided by a vision for the national programme that is delineated by specific objectives.

5.1 OBJECTIVES

5.1.1 Improve financial management

Low income households often function in a reactive mode, especially with respect to financial management. They live day to day, with little protection against the many risks that can cause significant financial burden and distress. A main objective of financial education is to give people the confidence, knowledge and skills that will enable them to become more pro-active about their financial management, to learn to budget carefully, save regularly and borrow wisely.

5.1.2 Foster informed use of financial services

This objective will be realized at different levels. The unbanked will learn that they can generally enhance their financial management if they use financial institutions, especially their safe savings services. Understanding the benefits of financial services will help them to select a provider. Those who are already banked will learn how to choose the financial services and products that best meet their needs.

5.1.3 Consumer protection

Consumers' rights and responsibilities vis a vis the financial services industry need to be both articulated and legislated. As Kenya's unbanked and Kenyan financial institutions meet in the marketplace, the potential for abuse requires acknowledgement and attention. As Kenyans increasingly seek out investment opportunities about which they may not be adequately informed, they need to learn how to recognize fraudulent actors. Realizing this objective will involve both education and advocacy.

5.2 ACHIEVING THE OBJECTIVES: DELIVERY CHANNELS

These objectives will be achieved through educational and legislative initiatives occurring at multiple levels to reach Kenyans across socio-economic groups. These initiatives are likely to occur in four arenas or 'channels', each with its own strengths and capacities to reach different market segments or address specific aspects of these three objectives. The channels for delivering financial education are nearly the same as those discussed in the earlier section IV. G , "Financial Education in Kenya: Current Status". The vision to create a financially literate Kenya will rely on the formal educational system, mass media and face-to-face interactions sponsored by the financial sector itself. We envision that the latter will expand its outreach by partnering with other civil society organizations to provide financial education to their constituencies. The fourth channel is different in that it does not directly involve the delivery of financial education, but rather, the legal mandates that will enable and enhance delivery. It is occupied by the government with its ability to legislate consumer protection through financial education and regulation of the financial industry.

5.2 .1 The education system

Schools obviously reach millions of students who represent the future. In societies with minimal exposure to the basics of financial management, parents often do not the knowledge or skills to pass on to their children. By incorporating financial education into the national school curriculum, children will learn these basic concepts before they develop behaviours that need to be changed. The Global Financial Education Programme has also found that once taught, young people teach their parents. Changing the national curriculum is likely a long-term goal. In the short-term, however, financial educators can reach youth in formal schools at all levels through extracurricular activities such as savings clubs, in-school bank branches, and 'infotainment' shows featuring music, drama, and comedy about financial behaviour. The impact of these activities on those who participate can support advocacy efforts with respect to upgrading the national curriculum.

5.2.2 Mass media

Mass media also offers the advantage of scale. The diversity of forms offers the potential to serve multiple objectives, from raising awareness to imparting specific content, and to reach a broad range of socio-economic groups. National campaigns harness all forms of media. Radio and TV programs can simultaneously entertain listeners and viewers and impart knowledge about specific issues. Print media can provide basic information about products (e.g. bank brochures), facilitate comparison shopping, and connect people to relevant resources.

5.2.3 The financial sector

In this channel, financial institutions reach out to their market – both existing clients and future ones. They offer financial education both as part of their marketing efforts but also as good corporate citizens. They educate clients not only about their products, but also about how those products fit with various financial decisions clients may be facing. They provide information using a variety of media such as electronic messages, videos in banking halls and print materials; they train clients (or finance the client training) and sponsor/participate in national public awareness campaigns to promote wise financial behaviours. To extend training efforts beyond existing clients, financial institutions can also partner with other civic organizations to provide financial education to their constituencies. While the rational for the financial sector to assume a leadership role in financial education is obvious, the relevance of the content merits the participation of a broader spectrum of organizations to deliver training.

5.2.4 The legislative agenda

The 'action' in the three delivery channels can be facilitated by government policy and legislative mandates. Experience elsewhere points to the importance of legislation to open doors (See Annex 1 "Building a National Strategy for Financial Education in the U.S.: Progress to Date") build high level buy-in among relevant government bodies. The Ministry of Education will play a key role in incorporating financial education into the school curriculum; the Central Bank can lead banks to their role as financial educators; the government bodies responsible for distributing social welfare payments can incorporate financial education as part of the distribution mechanism they use; consumer protection laws can support the education of all parties on mutual roles and responsibilities with respect to financial service transactions. Finally, advocacy organizations can serve as the link between those who deliver and consume financial education and those who have the power to use legislative action to improve it.

5.3 IMPLEMENTATION

The framework for a national programme that incorporates the diversity of players and activities as described above includes a structure that is built on several assumptions:

- A national financial education programme must be the product of a public/private partnership between government, the corporate sector and civic organizations (NGOs, women's organizations, churches, schools, etc.).
- The two pillars (public and private) supporting this programme need to be linked by a coordinating body;
- Financial education needs a champion, an institution with enough credibility and influence to attract the interests of others;
- Actual work on the ground in the nuts and bolts of financial education (curriculum design and delivery, teacher training, public campaigns) is needed to inform, motivate and inspire the public/private participants in the partnership. Such pilot projects will 'feed' the programme from the bottom while the actors at the top create space for financial education in their respective spheres.

Figure 1 below shows the two pillars of a public/private partnership linked by a financial education coordinating body. The public side includes ministries, regulatory agencies and the Central Bank. These are the 'macro' level players. Their commitment is key to bringing financial education to a national scale with budget and legislative support, inclusion in schools and mandates for the commercial financial sector. They will exercise significant influence on curriculum content, quality and impact monitoring.

The private side is constituted by two levels of players: At the 'meso' level, support organizations such as networks and professional associations of financial institutions(e.g. insurers, bankers, brokerage firms, etc.) support members to deliver financial education. They might produce public service announcements from their industry or materials to represent their industry in a national financial education campaign; sponsor school-based contests; help members develop their training capacity or advise them how to comply with government mandates regarding financial education.

At the retail or 'micro' level, providers fund, design or deliver financial education for clients. A wide range of civic institutions is likely to facilitate the delivery of financial education to their constituencies. Participants at this level can achieve a presence in any or all of the delivery channels.

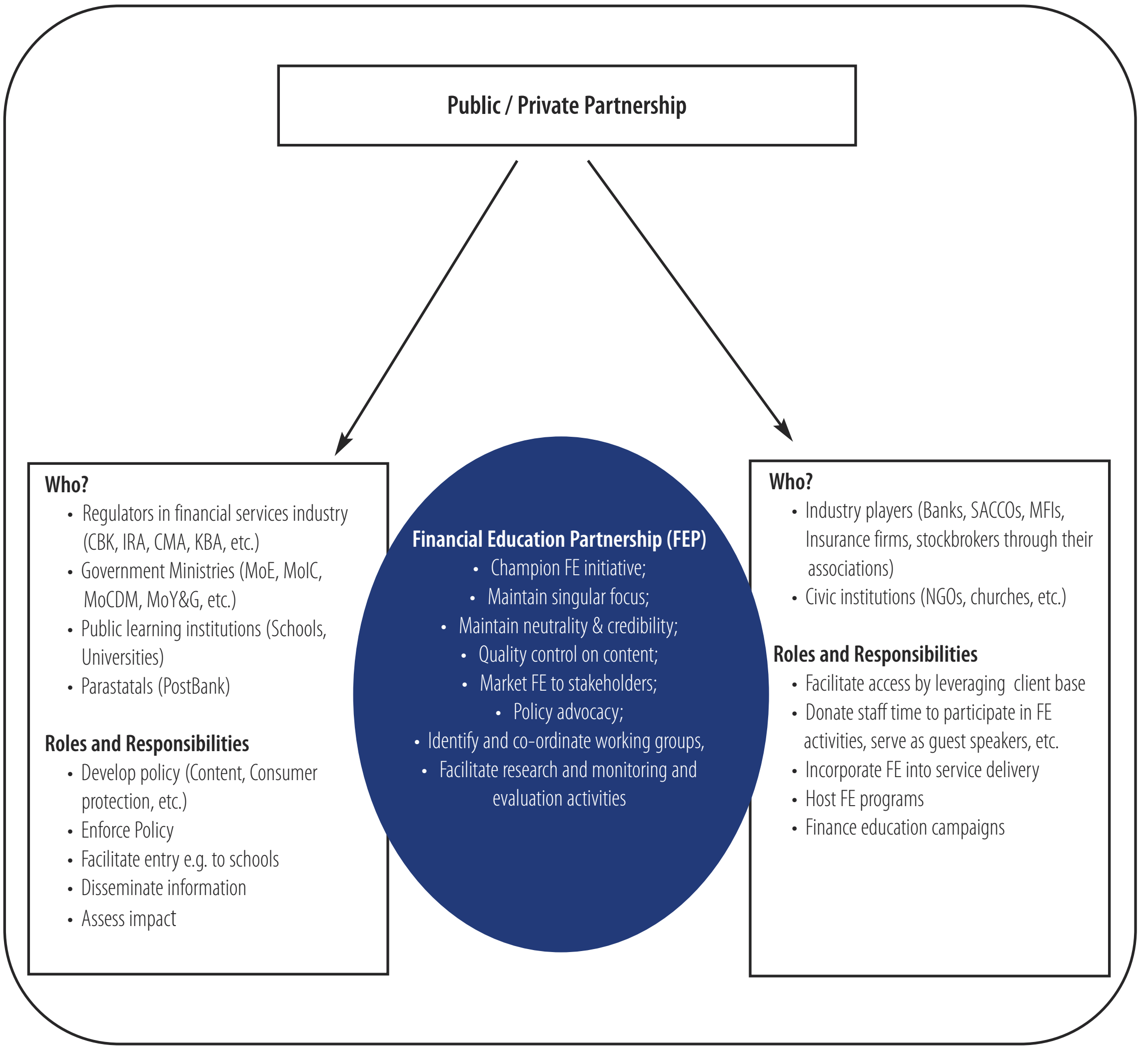
Linking these two pillars is an independent coordinating body that works both sides, promoting synergies between them. Workshop participants felt that this body must be neutral and independent to ensure its credibility. It should be singular in focus, existing only to advance financial education. Its role is to:

- Cultivate a vision
- Raise money;
- Market financial education to stakeholders on both sides;
- Advocate for policies that advance consumer rights and responsibilities vis-a-vis financial services;
- Research, collect and manage financial education resources (e.g. curriculum, samples of mass communication ideas and efforts, FE legislation from other countries, etc.)
- Organize national financial education campaigns.

Still pending are details of setting up such a committee. When should it be constituted? Who should participate? What resources will it need to start?

The Financial Education Partnership (FEP) should be the project, the child of those who embrace financial education and have the energy to move it forward. These advocates will step forward to voluntarily organize the FEP. From the beginning, they will need to ensure that membership reflects both the private and public sides of the partnership. It will be helpful if at least one leading financial sector institution backs the partnership from the outset and thus opens the door for participation by those who might otherwise be unable to volunteer their time. At the other end of the spectrum, the Partnership should include those actually engaged in financial education with youth or farmers or MFI clients or women's associations to ensure representation of the end consumer.

Figure 2: Public / Private Partnerships



The FEP will need a secretariat function. While the physical space can be donated by a member, funds will be needed to pay a person to staff the office. Much of this person's job initially will be to mobilize volunteers to carry out the tasks that the Board takes on. Given the broad reach of financial education, distinct working groups will emerge to tackle specific aspects of the programme – these might include curriculum, legislation, marketing, public campaigns, and outreach. The FEP coordinator will facilitate these working groups.

The timing of the FEP is open. One option is to proceed as soon as possible mobilizing the core group that already champions financial education. Assuming some delay inherent with volunteer commitments, it is better to start now. Alternatively, launching FEP could wait until several pilot financial education projects are up and running. These will generate some visibility for financial education that might help the FEP in its initial marketing efforts. We recommend the first option with the caution that the new body needs a Terms of Reference – a set of concrete tasks with which it can start its work, to avoid becoming simply a venue for endless discussion.

Early tasks for the FEP might include:

- Convening a practitioner dialogue among those implementing the pilot projects to share experience and insights.
- Convening a curriculum workshop to review and/or adapt existing curriculum to specific markets in Kenya.
- Sponsoring a training of trainers for those planning to use existing curriculum (e.g. that of the Global Financial Education Programme).
- Researching the models and/or pathways that other countries are pursuing to build a national financial education programme.

This framework tentatively outlines the objectives, activities and structure of a nascent financial education programme. In these early stages of building the programme, it will provide FSDK the means to assess the relevance of proposed pilot initiatives to the longer-term vision.

Chapter 6

POTENTIAL PILOT PROJECTS

The scoping exercise included identifying pilot projects to test different approaches to financial education. The descriptions below are summaries of pilot projects that were proposed during the financial education meeting on May 9, 2008. Two were presented by organizations that intend to implement what they proposed; two were designed on the spot and represent the thinking of several people from different organizations; the fifth was submitted after the workshop. The five pilots cover the first three delivery channels.

6.1 FINANCIAL EDUCATION VIA MEMBER-BASED ASSOCIATIONS

Target Market: Participants in the informal financial sector and the unbanked
Delivery Channel: 3. The financial sector

Both the Swedish Cooperative Centre and SwissContact East Africa have demonstrated a commitment to financial literacy in a number of their projects -- in particular the Village Savings and Lending Association (VSLA) microfinance model that both have recently adopted. This model was originally pioneered by CARE in Africa and has been widely replicated and/or adapted. As the one of the few ways to create access to financial services for the very poor and isolated rural populations this model has the potential to be an excellent vehicle for providing financial literacy to the informal sector.

The proposed target group will be both users of informal financial services and the unbanked. Member-based groups form the 35% of Kenyans involved in informal financial activities such as ROSCAs and ASCAs[7]. Due to the replicating nature of VSLAs, for example, it is anticipated that financial education offered to this target market could easily begin to reach the 38 percent of Kenyans totally excluded from the financial system.

Currently the VSLA training curricula for the two organisations contains important elements of financial education; these curricula will be reviewed and harmonized with a view to expanding their financial education content[8]. Although both organizations have training staff, they would want and need assistance from the Global Financial Education Programme (GFEP) to help select and refine a common curricula for each target group.

The core growth strategy for both organizations relies on replicating quality groups with community resources. Community-Based Trainers (CBTs), quality group leaders, will mobilize and train new VSLA groups. (Prior experience indicates that the simplicity of the methodology allows for rapid replication.) In addition to organizing new VSLAs, the CBTs will assume responsibility for offering financial education that new groups will pay for. Donor funds would still be required for the training of Community-Based Trainers and the training and formation of initial groups.

6.2 FINANCIAL EDUCATION VIA TV DRAMATIC SERIES

Target Market: Six million peri-urban and rural viewers of "Makutano Junction"
Delivery Channel: 2.Mass media

This programme will integrate financial education messages into the existing TV drama entitled "Makutano Junction" which provides entertainment and education to a large established audience of over 6 million viewers mainly in the peri urban and rural areas of Kenya. Donor funds are needed to 'buy' /pay the production costs related to a set number of episodes that will feature a story line with financial literacy as the primary message. Numerous research tools will be used to determine the target audience, objectives for communicating with them and messages to convey. Qualitative research will rely on focus group discussions with various target markets, and informal interviews with both the banked and unbanked. Quantitative tools include data collected by TV show producers plus research on media use conducted by the Steadman Group.

This project benefits from an existing successful TV drama and the company producing it. While Mediae brings the full range of production expertise to the effort, it will need external expertise for two major tasks:

1. market research necessary to identify content
2. a financial education expert to work with the script writers to translate market research results into the show's story line and specific messages.

Two valuable tools can be used to assess the series' impact. First, an SMS system post programme broadcast invites viewers to send an SMS requesting more information about the show's content. All requests receive, by post, a printed colour brochure with more detailed educational content. The SMS requests are entered into a data base for follow-up research. Second, pre and post broadcast

[7] FinAccess Survey 20068

[8] Swisscontact's Mavuno Group Savings and Lending handbook provides further details of the curriculum used in training Swisscontact's VSLA groups) The Swedish Cooperative Centre has developed a separate curriculum for financial education based on study circle concept for adult learning

surveys are used to identify changes in viewers' knowledge, attitudes and practices as well as identify areas that have been less effective; both will inform future series design and scripts.

Although "Makutano Junction" already reaches a mass audience in Kenya, it will expand its current audience as distribution extends through East Africa (via DSTV, GTV, etc.). In addition, the series footage can be used to produce shorter video clips for other outlets including: TV public service announcements, videos to be shown in banking halls, training videos, still images for comic strips published in the newspapers, and many more. To reach even further, the most successful materials could also be converted for radio broadcasts.

6.3 FINANCIAL EDUCATION FOR MSMES

Target Market: MSMEs through initiatives and institutions targeting MSMEs
Delivery Channel: 3. The financial sector

MSMEs are the engines to economic development on the road to poverty reduction and achieving Vision 2030. They are also a significant source of income for many Kenyans. As a result, there is already much effort invested in the development of this sector. The idea is to leverage these initiatives by integrating financial education as a key component. MFIs are a key service provider to this sector and hence would serve as an important channel for reaching them. Delivering financial education to MFI clients or possible clients can take a plethora of forms, including:

- Individual MFIs incorporate financial education into existing training programs that they offer clients in an 'integrated' model of credit delivery; training is delivered either by credit officers or distinct training staff.
- Individual MFIs contract with training institutions, training consultants or NGOs to deliver training to clients (a 'parallel' model).
- MFIs partner with their professional network (AMFI) to offer financial education to clients. For example, the network sponsors training of trainers events for MFIs and co-sponsors subsequent end-user training with one or more members.
- AMFI-sponsored 'microfinance days' around the country that give MFIs the opportunity to set up booths offering information and free consultation to potential clients. In addition to these exhibits, financial education training sessions and performances are held throughout the day. This strategy has proven effective at breaking down the perceived barriers to financial institutions. A participant at such an exhibit/fair in Uganda commented,. "I used to fear those armed security men at bank entryways, which is why I could only save in my local savings group or at home."
- AMFI collaborates with MFI members to hold "financial education roadshows" at matatu parks, community halls, and schools. AMFI develops the roadshow with an appropriate performance company; the local MFIs take responsibility for planning the events in each locality as well as follow up training and discussion groups.
- MFIs collaborate on delivering financial education via the media, through radio programming or public service announcements

The implementers (from interested MFIs, AMFI and training firms) would need training on financial education. Market research would determine both the gaps in financial literacy and the most effective approach to disseminating the relevant financial education messages to fill them. Existing curriculum (e.g. that of GFEP) could then be adapted to the Kenyan situation through consultation with practitioners in the Kenyan market. For instance, both the content and strategy would differ for micro-enterprises and SMEs.

Integrating financial education into the many public and private initiatives that interact directly with MSMEs is critical to ensure a wide outreach. To be self-sustaining, financial education will be fee-based. Therefore, it will be important to convince entrepreneurs that financial education has value. This calls for sub-projects that aim to develop this mind set through such activities as shared testimonials by the first generation of financial education graduates.

6.4 FINANCIAL EDUCATION CLUBS FOR IN-SCHOOL YOUTH

Target Group/Market: Secondary school students (could also be University, Polytechnic or College)
Delivery Channel: 1. The education sector

To reach in-school youth, optional extracurricular clubs are proposed that leverage the weekly club time incorporated into the academic programme to deliver financial education curriculum to youth. The first term would be devoted to a core module lasting 12 to 14 weeks. Subsequent terms would be used to re-apply methodology to other individual or group goals, and prepare for regional and national competitions.

This curriculum has three goals:

- Empower youth through achievement of individual and collective dream/goal
- Build skills in financial budgeting and planning
- Build awareness about financial services for personal as well as career influences

The club, much like a chess, swim or debate club, would be very visible with incentives to participate, branding items such as pins or patches that increase name recognition and special projects that could form the basis of inter-school competitions. Regional and national competitions can bring status and funds, and could even build in social entrepreneurship angle

The resources required to build a network of clubs include facilitators (a teacher in each school or someone who covers multiple clubs on a rotating basis), a curriculum and the materials to support it such as guest speakers, equipment, field trips, and certificates.

This school-based club concept will truly achieve scale when it achieves national recognition and incorporation into the national curriculum. The curriculum is standardized and approved for academic credit. The Ministry of Education assumes responsibility for training club facilitators in schools across the nation and they are paid for their service. There is a national coordinator overseeing quality control, competitions, media coverage, sponsorship, and internship opportunities.

To realize this goal, the clubs need to build credibility and visibility through a solid curriculum with published trainers' guides and training of trainers programme, corporate sponsorships, financial awards for the competitions, media coverage of the competitions, 6nd internships for club members in the financial sector.

6.5 FINANCIAL EDUCATION THROUGH EXPOSITIONS

Target Market: Various groups e.g. women associations, universities, civil servants, schools, investment groups

The concept is to create a private entity named the Kenya Financial Education Centre (KFEC) whose sole aim is to promote financial education through training seminars and public exhibitions. The KFEC would organise exhibitions / open days targeting various organized groups such as women associations, university students, public servants, schools, investment groups, and SACCO members. Key players in the financial services sector -- banks, insurance firms, SACCOs -- would participate in these exhibitions, showing their products and services. The Central Bank and other government agencies would show case their role in the financial service sector. Donor agencies might feature innovative interventions. The funds raised from the participation of these institutions in the exhibitions are what would be used to sponsor financial education seminars making the initiative sustainable.

The KFEC would organize financial education seminars for a wide variety of civic groups, as well as sponsor school tournaments and competitions.

Initial support would be required to establish the KFEC Secretariat with a project champion whose role will be to set up the secretariat, co-ordinate stakeholder meetings, finalize model, market model to stake holders and obtain commitments. The KFEC would eventually cover its costs with exhibition income.

6.6 CONCLUSION

These five pilot projects provide an illustration of the types of actual financial education activities that will generate both experience to guide further strategy and enthusiasm among stakeholders to deepen their engagement. Such 'ground truthing' is needed to inform, motivate and inspire the public/private participants in the partnership. Pilot projects will inform the national programme as it develops; they will help the FEP identify what is most effective and where it should focus its attention. Because each of these pilots occurs within distinct delivery channels, each brings different advantages to a national programme. A summary of their strengths and weaknesses, provided in Table 1 below, may facilitate the assessment of how each can contribute to making Kenya financially literate.

Table 3: Financial Education Pilot Projects Proposed in May 2008

Proposed Pilot Projects	Strengths	Weaknesses
Financial Education via member based associations	• Capacity to reach thousands with existing structure of VSLA groups; • Potential to reach those using informal financial services and their unbanked relatives • Eager learners: membership in financial association indicates interest in saving at least. • Build cadre of community-based FE trainers	• Quality control of FE content and delivery will be a challenge as the VSLA model self-replicates • Limited self-funding for FE training
Financial Education via TV dramatic series	• Capacity to reach millions of viewers via existing popular TV programme • Ease of using this media form: production company in place; programme already launched. • Ability to build a data base of viewers for follow-up impact assessment	• FE content is limited; cannot go in depth • TV is expensive medium; must question how long a donor can support the FE episodes. • Questions about the extent to which TV reaches rural and low income populations
Financial Education for MSMEs	• Direct contact with clients is most effective way to train for behaviour change • Can have in depth exploration of FE topics • Engages a variety of players (both institutional and consumer) in building positive change	• FE content may be compromised by competition between MFIs • Funding training is a challenge for MFIs • MFIs choosing to deliver FE themselves will make big investment to develop their training capacity.
Financial Education clubs for in-school youth	• Reaches the target group while young enough to learn wise money mgt. before bad habits set in. • Potential to bring FE into millions of homes with school aged children • Offers excellent opportunities for corporate sponsorship • Increases visibility of FE	• Competition with students' other extracurricular activities • Potential resistance of school administrators • Building the volume of clubs needed to hold regional competitions, attract media coverage etc. and achieve the visibility to influence education officials will take time
Financial Education through Expositions	• A body dedicated to FE will make things happen. • A professional centre for research, curriculum design, TOTs, and other product development can ensures quality.	• Needs visible support of influential institution • Needs significant initial funding • Potential for political influence over process; competition for control among stakeholders.

Annex 1

BUILDING A NATIONAL STRATEGY FOR FINANCIAL EDUCATION IN THE US: PROGRESS TO DATE

The Financial Literacy and Education Commission was established by Title V of the Fair and Accurate Credit Transaction Act (FACT Act) in 2003, with the purpose of improving financial literacy in the United States, including bringing those who are currently "unbanked" into the financial mainstream. Title V called for the creation of a curriculum for all Americans and the development of a National Strategy to improve financial literacy. The National Strategy incorporated a variety of viewpoints by seeking public comment from private citizens, non-profit groups, academia, and government organizations. The Commission then conducted six sector-specific public meetings to provide further information and comments. Finally, a working group consisting of the 13 Commission agencies met between June 2004 and June 2005 to provide input into the drafting of the Strategy. This approach ensured high-level buy-in and sought to identify financial education champions. The final Strategy engages federal, state, and local governments, private for-profit organizations and non-profit organizations. The National Strategy addresses financial literacy issues, challenges, and calls to action related to savings, credit, and consumer protection, including financial education in the schools, increased academic research and evaluation of financial education programs.

As part of the requirements of Title V of the FACT Act, the Financial Literacy and Education Commission created a website, www.mymoney.gov, to provide information about federal financial literacy programs, and provide a single entry point to publications and materials promoting financial literacy. It also created a toll-free hotline, 1-888-mymoney. In addition, it has created a public service announcement on savings, and conducted the following:

- meetings that highlight successes in advancing homeownership;
- regional conferences to share best practices regarding banking of the unbanked
- roundtables to discuss the financial education topics of special concern to specific communities;
- a summit focused on the integration of financial education into the core school curriculum; and
- an international summit on financial education, held in May 2008.

The Commission has promoted MoneySmart, the financial literacy curriculum designed by the Federal Deposit Insurance Corporation (FDIC). The goal of MoneySmart is to attract the unbanked into the formal banking system. The curriculum has ten modules: Bank on It (banking basics), Borrowing Basics (using credit), Check it Out (checking accounts), Money Matters (keeping track of your money), Pay Yourself First (savings options), Keep it Safe (consumer rights), To Your Credit (credit history), Charge it Right (credit card responsibility), Loan to Own (understanding loans), and Your Own Home (steps to buying a house). The FDIC's regional offices have established about a dozen model sites throughout the US, which are structured and sustainable financial education programs that use the MoneySmart curriculum. These programs collaborate with a variety of organizations including non-profit community based organizations, churches, banks, private sector companies, and government agencies to mount financial education programs with their constituencies. In addition, they have a diverse range of goals, including providing assistance, training and counselling to migrants and the low-income population in the following areas:

- homeownership
- tax preparation
- employment readiness
- life skills
- financial education

In January 2008, President George W. Bush created the President's Advisory Council on Financial Literacy, with the purpose of assisting Americans in understanding and addressing financial matters. The Council was organized to work with both the public and private sectors to help increase financial education efforts both for youth and adults, to increase access to financial services, to establish measures and conduct research regarding national financial literacy. In spring 2008, the Council established the National Financial Literacy Challenge—a 35 question test for high school students. Students scoring in the top 25th percentile will earn a certificate of recognition from the U.S. Department of the Treasury.

Annex 2

ATTENDING ORGANISATIONS AT THE FINANCIAL EDUCATION WORKSHOP FOR STAKEHOLDERS, MAY, 2008

Aga Khan Foundation
AIG
AMFI
Central Bank of Kenya
Decentralised Financial Services (DFS)
Equity Bank
Faulu Kenya
KCB Foundation
Kenya Association of Investment Groups
K-Rep
K-Rep Development Agency
MEDIAE
MicroSave
PayNet
Population Council
Post Bank
Safaricom (M-PESA)
SCC Kenya
Serenity Soins
Steadman
Strathmore University
Swiss Contact
Tell-Em
University of Nairobi (IDS)
WOCCU

Notes

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Financial Sector Deepening

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