

Tablet-Based Financial Education in Colombia

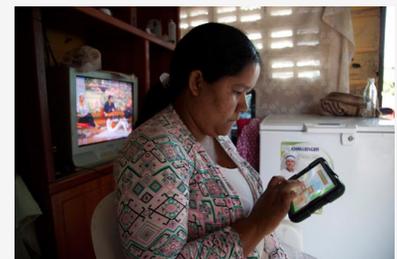


Numerous developing country governments, such as Brazil and Mexico, have adopted conditional cash transfer (CCT) programs as a social safety net, providing billions of dollars in transferred funds to millions of low-income citizens, in many cases by depositing them directly into a bank account. However, most of these recipients have little to no previous experience with formal financial products, thus providing the opportunity for product-linked training. To address this financial capability gap for recipients of Colombia's government CCT program, Fundación Capital designed LISTA, a program founded on the notion of "freeing financial education" from the classroom via the use of tablet- and smartphone-based apps. Researchers collaborated with Fundación Capital and the Government of Colombia to conduct a randomized evaluation of LISTA to study its impact on financial knowledge and behavior. Preliminary results indicate that the LISTA tablet application has had significant impacts on financial knowledge, attitudes toward formal financial services, financial practices, and financial outcomes.

Policy Issue

Three-fourths of the newly banked global poor—an estimated 375 to 600 million people—have never received any form of financial training and are left to make decisions that affect their financial futures with little help or formal instruction. As new services such as cash transfers and mobile banking expand, this number is expected to grow. Traditional financial education programs may not be the answer, for randomized evaluations have found mixed results for these types of interventions in developing countries. And even when financial training does lead to improvements in financial knowledge and behavior, it is difficult to customize the curriculum to the needs, interests, and location of each participant in a cost-effective and scalable way.

To address these challenges, Fundación Capital, an international social enterprise dedicated to reducing poverty at scale through public and private sector partnerships, designed the LISTA Initiative. Through LISTA, community leaders circulate access to shared tablet computers and smartphones, allowing participants to spend time with the training application on the devices. Participants are able to learn from the comfort of their own homes, study at their own pace, and customize their learning by focusing on topics most relevant to



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them. LISTA integrates audio, video, and gaming elements in an attempt to overcome literacy barriers and make the experience more entertaining. This evaluation tested the impact of LISTA's tablet-based application on financial knowledge and attitudes, informal and formal financial practices, and use of financial products by CCT beneficiaries.

Evaluation Context

In Colombia, the Más Familias en Acción (MFA) conditional cash transfer program reaches 2.6 million poor and extremely poor families. This includes households that rank lower than established thresholds on the national poverty index (SISBEN), families in extreme poverty, and victims of displacement caused by Colombia's internal armed conflict. The cash transfers are provided through channels including ATMs, local agents, and mobile phone-based wallets. Since the vast majority of MFA recipients are female, this intervention was tailored for women participating in the MFA program, and was implemented and evaluated in medium-sized municipalities (populations ranging from 30,000 to 50,000) on the Atlantic and Pacific coasts, two of the poorest regions in Colombia. At the time of the study, there were no other financial education interventions in those areas.

Fundación Capital designed the LISTA Initiative between 2012 and 2014 as a pilot innovation, supported by the Citi Foundation and in cooperation with the Government of Colombia's Prosperidad Social. In 2015, Prosperidad Social incorporated LISTA into their social policy and launched the LISTA Para Ahorrar (Ready to Save) Initiative, with the goal of reaching 100,000 MFA recipients in 30 municipalities.

Details of the Intervention

Researchers and IPA partnered with Fundación Capital and the Government of Colombia to evaluate the impact of the LISTA Initiative on financial attitudes, knowledge, practices, and performance of the beneficiaries. The application let users organize and visualize savings, expenses, and debt, and included educational content and testimonial videos on topics such as budgeting and the MFA program. It also contained information and simulations about ATM use and mobile wallets, as well as games about financial rules of thumb that could be played individually or in groups.

Researchers employed a two-stage cluster randomization to evaluate LISTA's impact:

Stage 1 - Tablet-based financial education: Researchers randomly assigned 60 municipalities to treatment and comparison groups. In treatment communities, tablets were distributed among local MFA leaders to share with other intervention participants in their communities. Fundación Capital held an introductory session where leaders were introduced to LISTA, volunteered to participate in the program, and set goals for the number of women they would help train with the tablet application during the tablet-rotation period. Each leader had about two months to reach their goals, after which they had to pass the tablet along to a different leader in the community, allowing more households to be reached with a smaller number of tablets. A kit of printed materials was distributed to LISTA users once they completed the training, which included reminders of basic financial rules of thumb, a savings calendar, formats and templates for budgeting, and completion diplomas. The materials were

designed to reinforce LISTA user motivation, put in practice what they learned in the application, and permit them to retain physical and personalized training material as reference for when the tablet left their home. Participants in the control municipalities did not receive any intervention.

Stage 2 - SMS reminders: After completing the tablet-based intervention, researchers randomly assigned leader groups into treatment and comparison groups. The treatment groups received text “reinforcement” messages offering reminders and rules of thumb. These text messages were sent for four months after the tablet-based intervention and were designed to remind users at opportune times—such as just before or after a transfer payment—about the content of the LISTA application and printed kit. The messages also informed the users about the government-provided financial products available to them via the MFA program. Participants in the comparison group did not receive SMS reminders and were left only with the LISTA kit materials.

Results and Policy Lessons

Preliminary results indicate that the LISTA tablet initiative had significant impacts on financial knowledge, attitudes toward formal financial services, adoption of financial practices, and financial outcomes. Women who received the LISTA tablets had a better understanding of savings and budgeting concepts, tended to prefer saving formally rather than informally, and had better numeracy than women who did not receive tablet access (the last was an unexpected positive outcome). They also reported more trust in banks and other community members and professed more optimism.

Importantly, LISTA participants demonstrated a greater ability to put their knowledge into practice than those in the comparison group. They were more likely to set savings goals and felt more capable of teaching others how to use ATMs. These women also reported saving more, both formally (immediately following tablet use) and informally (immediately following tablet use and one year after the program was initiated).

Sources

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