STUDY SUMMARY

Financial Education through Savings and Credit Cooperatives (SACCOs) in Rwanda

Limited knowledge of financial concepts is associated with suboptimal financial behavior such as low rate of formal savings, poor usage of bank accounts, amongst others. Well-designed financial education programs have the potential to improve financial knowledge and behavior, leading to improvements in wellbeing. In partnership with the World Bank and the Government of Rwanda's Ministry of Finance, IPA evaluated the impact of financial education delivered through SACCOs and found that when SACCOs were able to choose trainers from the local community, SACCO members attended more sessions and improved their financial knowledge, attitudes, and behaviors. However, when trainer profiles were predetermined and limited to individuals with formal roles at the SACCO, these improvements were not observed. No improvements in either group were found on account usage, borrowing behavior, or financial security.

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COUNTRY
Rwanda

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PROGRAM AREA
Financial Inclusion

TOPICS
Financial Capability, Training & Mentoring

TIMELINE
2015-2017

Policy Issue

Levels of financial literacy are low in many developing countries, and evidence has shown that limited knowledge of financial concepts is associated with suboptimal financial behavior, such as low rate of formal savings, poor usage of bank accounts, amongst others. Some governments are launching national financial education strategies to improve the financial behavior of their citizenry, and companies are integrating financial education into product offerings to help clients make better choices. But the success of financial education programs has varied widely. Some evidence suggests "edutainment" and simple rule-of-thumb lessons are effective approaches. It may also be effective to integrate proven approaches to financial education into the rural banking systems of developing countries, as these banks or credit unions have a wide reach and many clients are newly banked.

Evaluation Context

In an effort to increase the quality and reach of financial education in Rwanda, the Government of Rwanda has incorporated financial inclusion targets into its development plan. The government identified SACCOs as a promising channel for delivering financial education because SACCO clients are already engaged in the selection and use of financial services. In Rwanda, 80 percent of SACCO clients live in rural areas, and data suggests that the cooperatives enable clients to access formal financial services for the first time.

With support from the World Bank and with consultation from the advisory firm Enclude, Ltd., the Ministry of Finance and Economic Planning (MINECOFIN) developed the Financial Education through 'Umurenge' SACCOs Project ('Umurenge' is a Kinyarwanda word for 'sector', an administrative unit). The goal of the project is to develop a core financial education curriculum for SACCO clients in Rwanda.

Details of the Intervention

This study evaluated the impact of financial education, delivered through Umurenge SACCOs, on clients' financial knowledge, skills, attitudes, behavior, and overall welfare using a clustered randomized evaluation, and also measured the impact of different training approaches to identify ways to optimize the training of educators.

The financial education program was developed by MINECOFIN with consultation from World Bank and the advisory firm Enclude, Ltd. It provided in-depth training, curriculum materials, resources, and supervision to SACCO members on a long-term, sustainable basis. A "rules of thumb" methodology emphasized key messages that were simple, actionable, and memorable. The central theme of the curriculum is the phrase "Nawe Birakureba" or "It's up to you!" which was meant to encourage members to take charge of their own finances and financial futures. Clients follow a typical, Rwandan family and neighborhood, who face everyday financial issues and solve them through five to eight-minute dramatic skits.

Each SACCO was expected to train at least 600 participants over the period of one year in groups of thirty participants. Each group attended six weekly sessions, with twenty groups that received training over the year. Training took place at local SACCOs for 45 to 60 minutes once a week.

Researchers evaluated the impact of the training received after three months and nine months, via face-to-face surveys with SACCO members, as well as data from the SACCOs themselves.

Researchers randomly assigned 200 SACCOs (4,000 individual clients), to one of three groups:

- *Group 1 (autonomous trainer selection)*: SACCO clients received the full financial education program. The course was taught by three members from each SACCO, who were selected from the community by SACCO staff and trained to teach the program. *65 SACCOs*
- *Group 2 (fixed trainer selection)*: SACCO clients received the full financial education program. The course was taught by a manager and loan officer from each SACCO, and a community member, who were all trained to teach the program. *65 SACCOs*
- *Group 3*: These SACCOs served as a comparison group, and only received training after the study was complete. *70 SACCOs*

The first phase of the impact evaluation assessed the effectiveness of the program in improving the financial capabilities of SACCO members. The results informed the design and implementation of later phases.

Results and Policy Lessons

Overall, these findings show clear beneficial effects of the financial education through SACCOs program among members of Group 1 SACCOs (autonomous trainer selection) and fairly muted effects among members of Group 2 SACCOs (fixed trainer selection).

SACCO members attended more sessions of financial education through SACCOs when SACCOs had autonomy to choose trainers from the local community ("autonomous selection"). 63 percent of members of the autonomous selection group attended more than two sessions of the financial education program, while this figure is only 54 percent in fixed trainer selection SACCOs.

SACCO members in the autonomous selection group also showed improvements in financial knowledge, attitudes, and behaviors, including with respect to knowledge of key rules of thumb, attitudes that emphasize saving and responsible borrowing, and having—and strictly adhering to—a written budget and financial plan. They were also more likely to report saving regularly towards financial goals, and to deposit savings in the SACCO.

However, when trainer profiles were predetermined and limited to individuals with formal roles at the SACCO ("fixed trainer selection") these improvements were not observed. No improvements in either group were found on account usage, borrowing behavior, or financial security.

What explains these results? The analysis shows that trainers in Group 1 SACCOs were significantly more likely to be community members and significantly less likely to be loan officers. Qualitative interviews with SACCO members and administrative staff reveal that most loan officers faced significant time constraints in delivering financial education. Loan officers typically have a full set of work requirements and goals; assigning them the further task of teaching financial education in Group 2 was likely burdensome. Qualitative interviews also suggest that the larger pool of SACCO members which were drawn from in Group 1 included skilled and motivated trainers who were eager to deliver financial education and had the time availability to do so.

These findings suggest that small differences in the structure of decentralized delivery have important implications for the success of financial education programs. The qualitative analysis further points to the importance of ensuring that those tasked with the delivery of financial education have the capacity and willingness to do so and are properly incentivized. Identifying the types of incentives and levers that can relax such constraints for financial education delivery at the community level is an important and open question for future research.