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## IMPLEMENTATION AND COVERAGE OF FINANCIAL EDUCATION WITHIN THE FRAMEWORK OF A BUSINESS MODEL. THE CASE OF THE AHORRO PARA TODOS PROJECT<sup>1</sup>

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Ahorro para Todos (Savings for Everybody) is an ongoing project financed by the Inter-American Development Bank (IDB) and implemented by the micro-finance institution Financiera Confianza. This project seeks to test a financial education package and provide poor rural women with a savings account—looking to properly include this sector of the population into the formal

financial system—within the framework of a business model. This *inshort* summarizes lessons stemming from the Ahorro para Todos project in the region of Apurimac, from the project’s proposal, regarding its scope, the financial education materials and the form of intervention in the host communities.

### LESSONS RELATIVE TO THE PROJECT’S SCOPE

According to the design of the Ahorro para Todos project, Financiera Confianza (FC henceforth) had planned to intervene in three areas of the department of Apurímac: Zone A, zero to three hours from Abancay,

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<sup>1</sup> This *inshort* summarizes the outcomes of the first stage of the qualitative follow-up assessment of the Ahorro para Todos project’s implementation, financed by the IDRC of Canada. The ideas conveyed in this *inshort* reflect the author’s own point of view, which might differ from IDRC’s, IEP or Proyecto Capital’s point of view.



the capital of Apurímac—at the time, Abancay was the only location with a FC agency carried the savings product *Ahorro para Todos*—Zone B, from three to six hours from Abancay; and Zone C, six to more hours from Abancay, all of these zones are located in the province of Abancay and in the neighboring provinces of Antabamba, Aymaraes, Cotabambas and Grau.<sup>2</sup>

However, this decision was not taken having a profound knowledge of the territory sought to intervene. Therefore, the FC team carried out several field visits with IEP or under its supervision, which allowed to know the real possibilities of including each of these locations into a business model. One of the first visits to the field allowed to realize that districts located over six hours away from Abancay were more connected with other small towns, intermediate cities or villages that had agencies or correspondent agents, including FC (less than two hours away), all of which made it possible to serve populations located over six hours from Abancay. However, at the moment it was not possible to expand the project to those agencies, administratively or logistically. Therefore FC stood by its decision to exclude the districts located over six hours away from Abancay.<sup>3</sup>

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2 The savings product *Ahorro para Todos* is a simple savings account with an interest rate over the market's average (0.75%) and a minimum opening amount of 20 PEN (6 USD). It also provides the saver with a debit card upon reaching a balance of 50 PEN and a micro-life insurance upon reaching a balance of 100 PEN in the account (which is deactivated when the balance in the account is below the said amount).

3 It should be noted that the first ideas for the *Ahorro para Todos* design included the installation of correspondent agents in small cities, important

After having made this decision, several visits to the field were made in order to establish the distance from Abancay to each of the potential villages (or communities) where the intervention was going to take place, and the level of contact between the population in these villages and Abancay as well as to verify if there was, in fact, public transportation, its frequency and its cost.<sup>4</sup> Since this is a business model, it was important to consider the distance to Abancay; that is, the distance to the advantages of the formal financial system taught in the training sessions. However, it was also important to know up to what point the population was willing to go to Abancay—at first, not for opening the account but, rather, for buying groceries or for bureaucratic procedures, for example—; given that, both, the project's and the current regulatory framework state that the target population should go to an agency in Abancay in order to open a savings account. In this sense, including villages with no contact with Abancay (i.e.: mainly, very remote villages that only had contact with intermediate cities or villages closest to other provincial capitals) into the universe of potential locations that would receive financial education was not feasible.

At first, the project had selected 125 villages located in districts whose capital was

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waypoints, in order to give the target population a better service.

4 This visits helped, first, to determine the universe of potential communities that FC would serve through *Ahorro para Todos*. And, second, to determine, randomly, in which villages the project would be implemented and in which it wouldn't (treatment and control groups), within the framework of the project's impact assessment.



between one and a half and six hours from Abancay. These villages had at least 15 beneficiaries of the JUNTOS program, registered as of September 2014—in order to have a minimal number of potential clients that already participated in JUNTOS—and had not received any other financial education program. Verification in the field allowed to reduce the universe of potential villages to 89. These 89 villages, eligible for receiving financial education within the framework of the project *Ahorro para Todos*, were also located less than six hours from Abancay (i.e.: distance using public transportation plus walking distance), had a connection with Abancay (the latter being visited every two months approximately), and whose access did not entail any dangers for the instructors (i.e.: desolate areas).

At the light of this, a first lesson during the design stage of *Ahorro para Todos* was that a business model set to operate in rural areas should consider, first, the characteristics of the territories that will be served as well as the possibilities of adjusting the model to the target population and the available infrastructure. Given the current regulation and the significant dispersion of the population in Peruvian rural areas, in the case of *Ahorro para Todos*, it was vital to know the distance and the degree of contact of the potential villages with Abancay. While it was decided to offer financial education in areas located up to six hours from Abancay and with better infrastructure (i.e.: networks of correspondent agents), given the supply of financial education, the scope could have been expanded to reach more remote areas, increasing, likewise, the number of potential clients.

Throughout the implementation of the project, field visits verified that, in effect, it was more difficult for clients located further away to go to Abancay to open a bank account and, furthermore, to use it, even if many wanted to do so after receiving financial education. On the one hand, this shows that the most rural and remote populations cannot be part of a business model. On the other hand, it poses a challenge for widening financial services channels in order to serve larger quantities of rural dwellers, who thanks to financial education, and in spite of the elevated transaction costs for accessing formal financial system products, seek to participate in the formal financial system.

#### LESSONS RELATIVE TO FINANCIAL EDUCATION MATERIALS AND METHODOLOGY

Traditionally, the rural population, especially women, has been excluded from the formal financial system, and in greater measure than their male or urban counterparts. Therefore, the target population of *Ahorro para Todos* is a population that is not served by the formal financial system and that has, most of the time, erroneous conceptions or fear of participating in it. At the same time, rural women are an important ally for development initiatives, given that after receiving financial education, they acquire a great ability to save, which does not emerge from their wealth but from their conviction about the benefits of savings and from the dissipation of their fears towards the financial system (See: *inshort* 48 and 50 about the results of the Savings' Promotion Pilot Program).

Providing financial education to the Ahorro para Todos target population was part of the business model, given that the objective was to expand FC's customer base, but from a portfolio of good clients. The rationale is that financial education would allow to build trust in the financial system in general, and in FC in particular. Then, this trust would allow FC to have good savings clients (i.e.: clients who save steadily) who would, in turn, become good credit clients, generating in this way, the business model.

From the very beginning, since the Ahorro para Todos project's proposal, financial education modules were conceived to transmit different concepts about the financial system (trust, why it is safe, it's for everybody, etc.), savings, credit, and insurance. The first versions of these modules made much more sense to the FC team insofar they covered all the topics needed for having clients educated on how the financial system and its products operate. However, it was not clear if the topics were being transmitted correctly, if the target population understood the ideas being taught, and if instructors were giving out the information that the target population needed. This is why the financial education modules were tested in the field.

The first tests in the field showed that the modules needed to be simpler. Specifically, they needed to cut back on the topics proposed initially, and only keep the information identified as critical for the target population. The four modules implemented in the framework of the project were a result of subsequent tests in the field, namely: Module 1: "Trusting Financiera Confianza with

my Savings", Module 2: "If We Save... We Win!", Module 3: "Let's Control our Expenses and Achieve our Savings Goal", Module 4: "I Need Insurance and I Need Credit: Let's Get to Know Financial Services".

The last module was the most important for consolidating the business model, insofar it's goal was to teach the target population about credit—as well as life insurance—and, in that way, prepare them for asking for credit, and, in case of obtaining one, for paying it responsibly. During the tests in the field it became evident that many topics needed to be addressed, as the training sessions' participants asked about them, such as the different types of credit and how to choose the cheapest credit.

In order to address these topics, the team decided to invite a credit analyst from FC to the training session in order to talk more about credit at the end of the session. However, this ended up raising more doubts among the target population, due to the analyst's technical language. After subsequent field visits, the module was redesigned. As a result, it incorporated new topics: differences among types of credit (different payment terms, different objectives, different risk, and different payment mechanisms), insisting in the fact that there is always a previous evaluation of client that must be done in the agency and not to ask for or accept any credit if not needed. It also emphasized that in case of death, not only is the insurance paid but that the amount in the savings account is returned. However, insofar the new topics made the module too long, FC decided to keep the shorter version and address the additional issues only



if they came up during the training sessions, which would be addressed by FC's own instructors in the field.

At the light of this, two lessons arise regarding which topics to include in the financial education modules that target poor rural populations. The first is that the topics included should be the most basic and should be explained in the simplest way possible, given the population's scarce or inexistent contact with the financial system. The second lesson is that the order of the modules' contents should follow the order expected vis-à-vis the transformation process of the target population into the microfinance institution's clients (within a business model framework). This means that, first, the knowledge provided should help to build trust in the financial system. Second, formal savings and its advantages should be encouraged, specially savings in the microfinance institution, by teaching the participants how to save (budget and savings goals). Finally, the use and advantages of insurance and credit should be promoted.

On the other hand, field testing also showed the difficulty of catching the target population's attention. Initially, training sessions were carried out by means of presentations and flipcharts made by the instructors. When realizing that the target population did not pay much attention to these materials, it was decided to use instead sheets with designs that would allow to build conceptual maps. However, the materials needed such a high degree of summarizing that it made it impossible to convey a clear message for the target population. Also, it was repeatedly found that the spaces where participants gathered for the training sessions

were outdoors, so it was very difficult to use flipcharts, sheets, or similar aids.

Given this challenge, they decided to use a type of doll or figurine that represented the actors and institutions involved in the financial system. After trying out different alternatives, it was decided to communicate the information clearly and without any metaphors, but as summarized as possible and in a playful way. Financial education concepts were captured in concrete stories of local rural women (short stories) represented by dolls and with their corresponding miniature settings; all which came in a backpack.

This backpack results from two main lessons relative to financial education materials: (i) financial education materials should be adapted to the needs of the target population regarding their knowledge, needs and their local contexts; (ii) in order to catch the attention of the target population, contents should be transmitted in a playful way. In the case of *Ahorro para Todos*, the use of short stories and dolls not only allowed to transmit simple contents that the population needed in an everyday context and in a playful manner; it also allowed the target population to identify with the characters, and therefore, grasp better the communicated concepts.<sup>5</sup>

It should be underscored that within the framework of the project *Ahorro para Todos*,

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<sup>5</sup> Edutainment (education and entertainment) has the advantage of transmitting knowledge in a playful manner and at the same time be efficient when fostering a change in behavior, mainly through identification with the characters. See La Ferrara et al. (2012) for the effect of *telenovelas* in fertility.

the financial education model not only includes the training backpack and short stories but also the fact that the script is only a guide for the instructor, who should learn and tell the story to the beneficiaries in order to catch their attention. This has not been hard for the instructors because they had the necessary information in the form of a short stories so they were able to learn the modules to the letter and follow them during the training sessions.

### LESSONS RELATIVE TO THE FORM OF INTERVENTION

When the intervention of *Ahorro para Todos* begun in the pilot area (between 0 and 1.5 hours from Abancay), field promoters (who were also instructors) encouraged the opening of savings accounts, without having formed groups or delivered any training sessions. They promoted the benefits of the savings accounts, among them financial education. Also, there were less training sessions than efforts for promoting the opening of bank accounts, which was an individual process—promoters visited people’s homes.

While this form of intervention did capture savers, it did not offer any form of training and, therefore, these savers did not make constant deposits in their savings accounts. The strategy, then, steered towards carrying out in-group training sessions in the communities chosen to be part of the impact assessment in order to go beyond the sole promotion of opening accounts. The objective of this change was to generate trust in the financial system and in FC, which would in turn generate the opening of accounts. The implementation of the new interven-

tion showed that as more training there was, more account openings there were. This was the first lesson stemming from the intervention in the pilot area.

Second, individual visits promoting opening bank accounts stopped. Instead, promoters spent more time forming training groups or looking for already existing groups and convincing their leaders of the benefits of financial education. In-group training implied less time on the side of promoters. At the same time, it made it possible to have more or less empowered people with more or less contact with the financial system all in one group so when participating—and asking questions—knowledge could be communicated and shared better. Therefore, the second lesson for FC consisted in that, in effect, when forming groups or when intervening in already existing groups, time and money was saved and, at the same time, it allowed to provide better training to the target population.

In relation to the promotion of the opening of bank accounts and making deposits, during the training sessions, FC promoters also reminded the target population that savings accounts in FC bring other benefits when their balance reaches certain amounts (for example, a free debit card when reaching 50 PEN, life insurance when reaching 100 PEN) and when saving constantly (enters a raffle for a gift basket if she/he saves at least once a month). In addition, given that it is a committed savings product, the most important thing was to promote constant savings (small amounts) in order to achieve savings goals (bigger amounts of money). However, saving every month is not possible for tho-



se who live further away and seldom go to Abancay. In most of those cases, promoters did not promote constant savings (monthly). Instead, they promoted saving by saying: “Every time you go to Abancay, don’t forget to make a deposit in your Financiera Confianza account”. This type of reinforcement made sense insofar it promoted formal savings while trying to avoid the high transaction costs that the target population faces.

In spite of testing the methodology collectively, promoters found that it was very hard to form groups for the training sessions, proving in turn that it was not possible for the Ahorro para Todos’ target population to replicate the model for raising awareness and for group formation (Module 0) of the Pilot Program for Promoting Savings in JUNTOS Families.<sup>6</sup> Therefore, they decided to take advantage of the previously established meeting spaces, such as the health meetings at the local health post, JUNTOS program’s meetings, and the productive program Haku Wiñay meetings (FONCODES – MIDIS) as well as other communities’ meetings in or-

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6 The target population for the Savings’ Promotion Pilot Program consisted in citizens that received JUNTOS’ cash transfer, mainly women, who gathered at least once every two months to receive the cash transfer and once a month for the verification of the co-responsibilities or other training activities provided by JUNTOS’ promoter. In this sense it is possible that the formation of groups within the framework of the Savings’ Promotion Pilot Program was a non-intended consequence of the fact that the recipients thought that not going to the financial education meetings would imply not receiving the cash transfer anymore. It should be noted that the target population of Ahorro para Todos were both citizens who received and citizens who did not receive JUNTOS’ cash transfer; therefore, the latter did not always participate in JUNTOS’ meetings.

der to start the financial education training sessions with groups already formed.

An important lesson emerged from these different approaches; specifically, about the ways in which target populations should be approached. The first contact with the community, on the side of Ahorro para Todos promoters, should consist in informing the leaders about the project, set the date and time for meeting with members of the community (join an already set meeting, if there is one) by going, for example, to the community’s meetings—of food programs such as “Vaso de Leche” or “Comedores Populares”—which tend to be recurrent and do not entail any involvement of the State; also most of the attendees tend to be women. In absence of this scenario, promoters may turn to the meetings set up in the framework of State-run programs, taking into account the externalities that this may cause.<sup>7</sup> The final objective should be to form groups that will meet in order to receive financial education. However, this does not happen often, it is only feasible in communities with highly organized women’s groups whose members are very interested in receiving training. In the case of Ahorro para Todos, promoters reported that meeting spaces within the framework of health and food programs such as “Vaso de Leche” or “Comedores Populares” were the most viable for carrying out the financial education training as they were able to reach better a greater number of the target popula-

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7 Using meetings of State-run programs in order to deliver financial education might generate problems for such program’s staff, and might cause the beneficiaries to relate the State-run program and Ahorro para Todos.

tion: female recipients and non-recipients of JUNTOS' cash transfer.

Another important lesson relative to the intervention in the pilot area is that the fact of having first and mainly entered peri-urban areas allowed to prove, first, that the financial education methodology was appropriate for poor rural populations, but not necessarily for poor peri-urban populations. People in the pilot area used to attend the meetings, but said that they already knew the topic and left quickly. Therefore, it was not possible to train them. In rural areas, the population had no contact with the formal financial system, therefore, they paid more attention to the training sessions. Likewise, in most communities within the Ahorro para Todos' area of intervention, this program was the first of its kind to reach them.

It should be underscored that cooperatives—in Peru, semi-formal non-regulated institutions—have served the rural population for decades, and have even reached the most remote areas in order to, more often than not, offer credit at very high interest rates and savings at negative effective rates. At the same time, taking advantage of the population's lack of financial education, they branded themselves as their sole alternative for savings and obtaining credit. However, the recent bankruptcy of several cooperatives that operated in the Apurímac region and loss of savings that resulted from their closure has made the rural population wary of any financial institution, making it harder to train the target population, build trust in formal financial education, and, therefore, harder to get them to open savings accounts and make steady deposits. In this sense,

another important lesson concerning the delivery of Ahorro para Todos training sessions consists in contrasting formal and regulated entities' features with cooperatives'.

Likewise, in order to build trust, the financial education methodology includes the identification and training for mother-leaders in order to establish a lasting relationship with the community, beyond the financial education days. The intervention in the pilot zone showed that living closer to the city, with a more individualistic and less trustworthy lifestyle, made the training of mother-leaders harder. Instead, in rural areas training mother-leaders was easier but this was not necessarily the case in all communities. According to the intervention model, a mother-leader (i) may or may not be a leader in the community and must be chosen democratically by the training group; (ii) there can be more than one mother-leader in each community, (iii) she is the link between the community and the Ahorro para Todos' promoter; (iv) she must remind women savers to make monthly deposits; (v) she must remind the training group of the time of the meeting; and, (vi) optionally, she takes the savings to Abancay.

On the other hand, the high frequency of personnel rotation during the first months of the intervention in the pilot zone, and the subsequent cancellation of training sessions without any previous notice, showed it was necessary to keep promoters with their own group and that previously scheduled meetings should not be cancelled or re-scheduled without any previous notice, all of this in order to avoid creating mistrust towards promoters and the project.



Regarding training, it should be underscored that in the Ahorro para Todos training scheme, FC included small productive training sessions carried out by the projects' promoters themselves (i.e.: making yogurt and jam, arts and crafts, knitting), which should be chosen democratically by the group and would be taught after completing the Module 4 of the financial education program. While productive training was conceived as a benefit for clients with accounts at FC (as it was expected to encourage entrepreneurship having FC as a potential funder) non-clients are not excluded. In the field, it was observed that in many cases these productive sessions encourage the target population to participate in every training session.

Also, a lesson about bringing the target population closer, this time, to the financial system and not the project through FC is that any initiative should arrive as close as possible to the target population's place of residence. The target population is interested in training and grasps the delivered concepts in the financial education modules, however, the high transaction costs they face for reaching Abancay's agency prevents from making the desire of saving in a formal institution a reality. This is why, FC decided to include, in a structured manner, correspondent agents in local convenience stores as a service channel. Agents were to be installed in places where weekly fairs take place—that serve several communities whose inhabitants do not go often to Abancay— or in JUNTOS' payment points. Also, convenience stores where corresponding agents were to be installed needed to comply with FC commercial department's technical requirements (telephone coverage and permanent

electricity, etc. and have an account in FC with a balance of 2000 PEN).<sup>8</sup>

Finally, given that the impact assessment of the Ahorro para Todos project was based on the registry of activities carried out by FC, the detailed reports of training and promotion activities, not only those of account openings, were also useful for carrying out a more thorough evaluation of the intervention's progress and of promoters' goal achievements. Currently, promoters bring along to every financial education training session a form that they must complete with the name of the attendees, the location of the community where the training was carried out, the date, their own name, and whether the meeting had taken place within the framework of a different institution ("Vaso de Leche", a JUNTOS' meeting, etc.). When training does not take place, promoters report whether they carried out activities relative to the opening of savings accounts or follow-up, indicating in which community they did it. One unintended consequence of the use of a detailed registry of training sessions and other activities was the possibility of having a better internal follow-up of field personnel and a better planning of

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8 As of November 2015, correspondent agents had been installed in Huancarama, Abancay las Americas, Casinchihua and Carahuasi. However, some agents were not yet in operation because the convenience stores had not complied with requirement of opening an account in Financiera Confianza with a 2000 PEN balance. Also, there were no reports of use on the part of the project's clients, perhaps because a part from breaking fear barriers vis-à-vis the financial system, in order to use these channels, it is necessary to bridge the technological gap, an issue which has not been included in the project's training program.

financial education training sessions, which allowed, at the same time, to carry out training sessions in a more uniform way (with less time in-between sessions) and, in most cases, reach all training goals.

It should be underscored that the implementation of this registry was possible thanks to the involvement of Financiera Confianza in the design of the project's impact evaluation.

## CONCLUSIONS

Regarding the coverage of Ahorro para Todos, Financiera Confianza's team realized in the field, that the project's proposal could not be carried out. In order to build a business model, only potential clients in communities located between one and a half and six hours from Abancay could be served. At the same time, the particular characteristics of the population should be taken into account (distance and degree of contact with Abancay) as well as the possibilities of serving this population with the available infrastructure (network of agencies and correspondent agents). Given the high transaction costs that potential clients face for saving, and therefore, for becoming good credit clients, a maximum of six hours of distance from Abancay was established. At the same time, a minimum of one and a half hours of distance from the capital city was chosen because the model of financial education was designed for rural populations.

With respect to financial education materials, the project's experience shows that in order to reach the rural population, the simplest topics about the financial system should be addressed. When doing so in a

playful way and fostering identification with the short stories characters in each of the training modules, materials also allowed to catch further the target population's attention and be able to carry out training in different scenarios.

The intervention should be carried out in a structured manner so that the necessary steps for delivering financial education are fulfilled properly and the objective of opening accounts met. The structure of the Ahorro para Todos intervention, an in-person financial education program for the rural population within the framework of a business model, may be summarized as follows:

- i) The promoter/instructor looks for community representatives and/or leaders and tells them about the project hoping to win their acceptance.
- ii) The promoter/instructor tries to participate in community meetings where the target population gathers. When possible these events should be community and/or food programs meetings, or similar. A second option are the meetings arranged by public entities (JUNTOS, FONCODES, Ministry of Health). In both cases, the main objective is to form independent groups and spaces for carrying out financial education training.
- iii) The first visit to the groups is for promoting the savings product and for financial awareness purposes. In this first meeting mother leaders start to be identified and elected.
- iv) Depending on the groups' availability and the meetings' attendance rate, promoters/instructors may alternate training

modules and productive training with the promotion of the savings product and client follow-up.

- v) Even once the modules have been completed, promoters/instructors continue to visit the groups in order to keep on promoting the savings product, monitor savings, reinforce financial education and absolve doubts. Ideally, continuous contact should happen through mother-leaders.
- vi) Throughout the whole process, visits to the communities where financial educa-

tion had begun taking place or where it was promised to take place should not stop, and the rotation of promoters/instructors should be avoided.

In addition, in the case of Ahorros para Todos, a lesson relative to approaching the target population, consists in the realization that the financial system should approach as much as possible the target population's place of residence by means of channels other than the agency in Abancay's capital.



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