

Impact Assessment of Financial Literacy Training on Financial Management

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The purpose of this policy brief is to present recent evidence on the short-term impact of financial literacy education delivered to women from low income households by Alnahda Society in Riyadh. The evidence draws from a randomized impact evaluation of the Khazna financial literacy course, one of Alnahda's key development programs. Alnahda Center for Research is conducting an ongoing evaluation of Khazna to ensure that it is achieving its intended impact and improve its design.

Key short-term findings from the Khazna impact evaluation include:

- Training had positive effects on financial knowledge, attitudes, and practices among participants, however it has yet to demonstrate significant impact on actual financial outcomes (e.g. savings, debt). Changes in outcomes may become more apparent on the longer run, which the second phase of this study will aim to measure.
- Incorporation of coaching as part of the financial literacy training produced greater impact in the results witnessed among participants compared to those who did not receive coaching

Why financial literacy?

Financial inclusion and literacy have gained global and national attention in recent years. First, financial inclusion has been identified as an enabler for 8 of the 17 Sustainable Development Goals, adopted by all United Nations Member States, including Saudi Arabia, in 2015 (UNCDF, 2020). Second, one of the three aims of the Saudi G20 Presidency roadmap is focused on financial inclusion of women and youth (G20, 2019). Accordingly, the platform bringing women's issues to the G20 process, known as the Women 20 or (W20), has identified financial inclusion as a key policy area with a focus on improving access to financial literacy (W20 Saudi Arabia 2020, 2020). Third, financial inclusion is among the Vision 2030 objectives, which states "promote and enable financial planning (retirement, savings, etc.)" (Vision 2030, 2018). Recent efforts that have been introduced towards fulfilling Vision 2030's objectives include establishing the Financial Literacy Entity (FLE) under the Financial Sector Development Program (FSDP). The rationale behind establishing the FLE is to unify and scale the impact of existing efforts towards boosting financial awareness (KKF, 2018). FLE is set to increase the level of adult financial literacy in the Kingdom to 34% and raise their household savings to 29% by 2020. Additionally, FLE aims to increase the proportion of Saudi adults with a bank account (Vision 2030, 2018).

Currently, there are multiple financial literacy programs in Saudi Arabia, such as Alhasalah, which offers a range of courses including those that target children; and Riyali, which offers courses to target segments including entrepreneurs and students within schools and universities. Khazna, offered by Alnahda, focuses on household financial management among lower income segments.

Khazna financial literacy program and the randomized impact evaluation¹

Khazna, first launched in 2017, aims to address the gap in financial literacy programs in Saudi Arabia by targeting women who are financial decision makers in low income households. Alnahda established Khazna in response to poor financial management practices observed over decades of serving lower-income families. It is designed as a critical step for participants to achieve financial independence. The program is an information-based financial literacy training. Participants attend in-person workshops that are offered by certified trainers at Alnahda. Khazna works to instill the knowledge and skills needed for effective management of household financial resources and focuses on four main financial practices including: financial planning, borrowing, saving, investing, and household awareness. Khazna workshops continued to take place until 2019 and were temporarily put on hold in March 2020 due to the inability of participants to attend the training in-person following the COVID-19 outbreak.

The Khazna impact evaluation was conducted in the last quarter of 2019 as a randomized controlled trial (RCT). The objectives of the evaluation were to determine the short and medium-term impacts of the Khazna financial literacy program on the practices of participants. It also aimed to compare the impact of two versions of the program, to identify how best to design the course going forward. The comparison tests the impact of offering personal coaching, as opposed to traditional classroom lectures. The sample includes female beneficiaries from Alnahda and other organizations with similar financial conditions. The majority of participants in the Khazna evaluation have also identified themselves as the financial decision makers in their households.

This sample relates to an important segment within the national population. In Riyadh, 24% of Saudi children whose parents are separated live with their mothers (GaStat, 2016). Moreover, across the Kingdom, female household heads account for 8% of beneficiaries

¹There are two main limitations to the study. First, the small sample size of the study (165 participants) limits its ability to statistically show the effects of the program, even in the case that meaningful effects were realized. Second, the short-term sample consisted of 115 individuals, which is a 30% drop in the total sample size from baseline. Balance checks show that control and treatment arms remained balanced across key characteristics, reducing threats to validity that attrition may cause. However, the reduced sample size further limits the ability to detect meaningful impact. Considerations of these limitations suggest that a scaled version of the study would reveal positive short-term effects of Khazna.

receiving social support from the Citizen Account program (Citizen Account, 2020). Lastly, 26.4% of women participate in providing for their households in the Kingdom and 7% are the primary financial providers (NOW, 2020).

The study participants were randomly assigned to either receive an invitation to enroll in the Khazna program (treatment group) or not (control group). The treatment group consisted of two sub-segments: 1) participants who were invited to join the original application of Khazna which consisted of four workshops that met once a week for a month with no coaching sessions (Khazna I) and 2) participants who were invited to join the new application of Khazna which consisted of three workshops that met once every two weeks with a coaching session between each workshop (Khazna II). The coaching sessions were held one-on-one with beneficiaries and coaches that are certified by the Saudi Technical and Vocational Training Corporation (TVTC). Moreover, these sessions were designed to offer a dedicated environment for beneficiaries to identify a financial goal and set a plan to achieve it.

The short-term survey measures the impact of Khazna by looking at four indicators:

1. **Knowledge:** including knowledge of financial products and services, budgeting, saving, and investing
2. **Attitudes:** regarding spending money, saving, investing, and satisfaction with their financial situation
3. **Practices:** including financial spending, saving and financial shocks, products and services, debt, goals, planning, and budgeting
4. **Outcomes:** including the amount of household income saved, the amount of debt, the amount of income sufficient to cover expenses, and total household spending on social occasions

Baseline and short-term findings

Similar to the short-term survey, the main components covered by the baseline survey include knowledge, practices and attitudes. Findings from the baseline survey conducted in 2019 show that 68% of study participants were in debt, and 86% reported that their income was insufficient to cover their daily expenses. Additionally, 58% reported borrowing from friends and acquaintances in the face of financial shocks.

The short-term survey was conducted almost two months after the conclusion of the Khazna course sessions in early December 2019. The findings show positive effects of the Khazna programs across financial knowledge, attitudes, and practices (Table 1). Among these indicators, interim results show that Khazna has the highest and statistically significant impact on self-reported financial practices, with average scores being almost

30% higher among the treatment group compared to control, while knowledge and attitudes scored less, with a difference of 14% and 6% respectively.

Moreover, the short-term evaluation has yet to show significant effects on financial outcomes. Changes in outcomes may be seen on the longer run. Moreover, this result could also emphasize the fact that financial outcomes are dependent on more than individual management practices (the household, job and economy circumstances, etc.).

Table 1: Financial Literacy Scores of Control and Treatment Groups			
	Control Group Average Score	Treatment Group Average Score	Difference between Treatment and Control
Knowledge	44%	50%	+14%
Attitudes	47%	50%	+6%
Behaviors and Practices	45%	57%	+27%
Outcomes	24%	23%	-4%
Financial Literacy Score	40%	45%	+13%

In addition to assessing the overall impact of Khazna, the interim survey looked at the difference between Khazna I and Khazna II. The results show that, compared to Khazna I, Khazna II participants demonstrate slightly higher scores across knowledge, attitudes and practices, with the largest difference in attitudes (Table 2). The difference in the scores can be attributed to the coaching sessions offered in Khazna II.

Table 2: Financial Literacy Scores of Khazna I and Khazna II

	Khazna I Average Score	Khazna II Average Score	Difference between Khazna I and Khazna II
Knowledge	50%	51%	+2%
Attitudes	48%	53%	+10%
Behaviors and Practices	56%	59%	+5%
Outcomes	23%	22%	-4%
Financial Literacy Score	44%	46%	+5%

Conclusion

In conclusion, interim results for this research tell us that financial literacy training succeeds in impacting knowledge, attitudes, and practices. Moreover, incorporating coaching and mentorship results in greater impact. It is important to note that these findings remain in the short run. This study will continue to carry on a medium-run evaluation to assess whether impacts sustain in the medium term.

We invite policy makers and practitioners who are working towards greater financial literacy, especially targeting women and low-income segments, to consider the following recommendations. These recommendations align with the W20 Japan 2019 Communiqué and with ongoing discussions at Alnahda before and during its appointment to lead the activities of the W20 in 2020 (Alnahda Society, 2020).

- 1. Tailor financial literacy programs to target segments for better results.** Khazna may be more effective to females from lower-income households than other financial education interventions because the program was founded to address their specific needs. The instructors are employees at Alnahda and have expertise in working with this income-segment. Moreover, the participants come from similar backgrounds, enabling them to learn from their shared experiences.
- 2. Provide individual counseling as part of financial literacy education.** The Khazna assessment found that participants who received coaching sessions show increases in scores across knowledge, attitudes and practices compared to those who did not receive coaching. Similarly, evidence from a large-scale evaluation

in India showed that financial education plus individual counseling had significant positive effects on participants' financial behaviors (J-PAL, 2014).

3. Institutionalize monitoring and evaluation tools within financial literacy programs.

Establishing mechanisms to monitor the impact of financial literacy programs is important to assess the performance of the program and guide future implementation.

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