

Improving Techniques for Evaluating Financial Literacy and Inclusion Programs

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Introduction

Increasing financial capabilities within the community is a growing priority in much of the developed world (OECD, 2003). Low levels of financial literacy have been closely linked with financial and social exclusion (Connelly and Hajaj, 2001) and contribute to the increasing levels of wealth inequality in society. A study of national levels of financial literacy (ANZ, 2003) found that the low-income sector have lower levels of financial literacy than the national average. Other evidence of inadequate financial literacy is found with the alarming increase in household debt and decrease in savings and assets held by Australians especially the low income sector and younger people aged between 25 – 34 (NATSEM, 2003; Beal, 2000a and 2000b; Harris, Loundes and Webster, 2002). The worsening status of Australian saving accounts comes at a time when there is a growing shift in responsibility for our retirement welfare from the state to individuals.

In response to these trends, a number of initiatives are being developed that aim to increase the levels of financial capabilities within the community. With the growing number of programs in this area, it is important that reliable and valid evaluation techniques are used to ensure the effectiveness of the programs. This project will refine evaluation techniques using evaluation data from two Australian programs developed by The ANZ Banking Group and delivered through a number of community organisations.

ANZ has committed significant resources to encouraging higher levels of financial capabilities within the low-income sector through two national programs - Saver Plus and MoneyMinded. Saver Plus is a financial literacy and matched savings program designed to encourage low income families to develop a savings habit. It includes a compulsory financial education program and support through a community organization. MoneyMinded is Australia's first adult financial education training package used by financial counsellors within community organisations to assist those with lower levels of financial literacy make better judgements and decisions about the use and management of their money.

It is important for any new initiative or program to be evaluated to determine their effectiveness and ensure efficient allocation of resources (Fox, Bartholomae, and Lee, 2005). However, given the newness of such programs, the research in evaluation techniques is still in its infancy. This project aims to refine evaluation techniques of programs aimed at increasing financial capabilities within the community. This will be of particular value to organisations providing these programs to ensure their resources are being effectively utilized, and it will add significant value to the academic literature on evaluating financial literacy.

Background

Saver Plus

Saver Plus was developed through a partnership between ANZ and the Brotherhood of St Laurence and is being implemented through subsequent partnerships with community organisations in three sites in the first pilot phase (2003- 2004) and four sites in phase two (2005). The three sites used in the first pilot phase are: Frankston Victoria (Brotherhood of St Laurence), Shepparton, Victoria (Berry Street Victoria) and Campbelltown, NSW (The Benevolent Society). In the second pilot phase, the South east corridor of Queensland was also engaged through The Smith Family. Phase one of the pilot included 268 participants and phase two recruited approximately 450 participants.

The program consists of three components: matched savings at \$2:1 (capped at a maximum matched amount of \$2000), financial education, and coaching. The second phase included a group from Frankston who participated in phase one but had their savings matched at a reduced rate of \$1:1. Eligible participants had to have a Centrelink issued health care card, some paid work, a capacity to save, and a child attending secondary school. The participants were directed to save for an educational product for their child at secondary school. The period of savings varied from approximately 18 months to 9 months with an average savings amount of \$104 per month.

The primary aim of the evaluation was to assess the degree to which the program participants were able to achieve their savings target. The quantitative data collection consisted of:

- A questionnaire completed by participants at the time of joining. This questionnaire captured demographics, prior saving behaviour and savings goal.
- A questionnaire completed by participants prior to undertaking the education program. This questionnaire was designed to capture baseline data on participants' current levels of financial knowledge and money management skills.
- A final questionnaire completed by participants upon completing the program to assess levels of success in achieving the savings goals, knowledge acquired during the program and future plans for savings goals.
- Information in the participants' banking activity

Saver Plus will be extended considerably between 2006 – 2008 to include up to 4000 participants across three states hence efforts to refine the evaluation techniques will be critical at this stage.

MoneyMinded

MoneyMinded is Australia's first comprehensive adult financial education program, designed to be used by financial counsellors within community organisations to assist those with lower levels of financial literacy make better judgements and decisions about the use and management of their money. The program consists of six topics separated into 17 workshops and includes facilitator speaking notes, case studies, activity sheets, workshop summaries and definitions of key words and terms for participants.

The first trial and evaluation of MoneyMinded took place from 1 March – 30 April 2005 and included data from 142 participants and attended a total of 550 workshops.

The data collection consisted of:

- A pre-training survey of all commencing participants (who agreed to participate in the research). The questionnaire captured demographics, the specific workshops they hoped to participate in, their reasons for undertaking the program, and the outcomes they hoped to achieve from the program. Facilitators were also asked to complete a questionnaire before they delivered any workshops in order to gauge perceptions of how useful they expected the various workshops to be to their target audiences.

- A post-training survey for participants and facilitators to measure the extent to which the program met expectations, the relevance of the content, and the satisfaction with content and delivery of the workshops.

ANZ have a target to reach 100,000 participants with the MoneyMinded program by the year 2010 and are keen to continue evaluation efforts to ensure the program stays relevant and useful.

Evaluation Techniques

To date the international experience in evaluating financial education programs has been fraught with challenges (Fox, Bartholomae, and Lee, 2005) and there is widespread need for the development of more accurate measures especially in isolating the effects of the various program components (Fox, Bartholomae, and Lee, 2005). In common with similar studies, the initial evaluation of the MoneyMinded and Saver Plus programs (Russell, Brooks and Nair, 2005; Russell, Brooks, Nair and Fredline, 2005) has been carried out using analysis of variance and contingency table techniques. The application of these techniques pooled together all the data collected on the programs and treated that as a single sample. The results indicate that the programs have been successful in improving financial inclusion outcomes for participants and that those participants have been satisfied with their experience.

While the previous analysis produced satisfactory results overall, it did not explicitly take into account the repeated measure or panel feature of the data. In the context of the debate about the longer-term impacts of asset-building programs in the UK, McKay and Kempson (2003) show that the treatment of panel effects can impact upon the conclusions one draws as to the efficacy of asset-building programs. As such, the application of such techniques in the context of Australian data will also provide significant insights into the robustness of evaluation findings.

The present project is to exploit the repeated measures or panel structure features of the data to draw additional insights and robustness into the evaluation findings. We will focus on the analysis of Saver Plus data on savings behaviour and on the ordinal rating data on MoneyMinded. The structure of the data is that we have observations from individuals at multiple points in time. These observations are not likely to be independent and will be correlated over time (eg savings behaviour this month is related to previous months savings behaviour, a workshop evaluation is related to previous workshop evaluations). The panel data and repeat measures modelling approach explicitly takes this correlation into account and allows for the correlation in

modelling, thus capturing the dependency in the observations. By not treating the observations as independent provides the potential to generate greater insights and robustness in the evaluation work.

Conclusion

The growing significance of the role of savings and financial literacy in alleviating poverty will call for rigorous evaluation techniques to assess their value in achieving program aims. Ideally, longitudinal data will have the most impact in providing sound conclusions to their effectiveness. This project in exploiting the panel structure features of the Saver Plus and MoneyMinded data will provide a valuable framework for on-going evaluation of these programs and others of their type.

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