

# Financial Action Learning System

A sustainable methodology for client empowerment and responsible financial service provision



Enabling poor rural people  
to overcome poverty

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# What is Responsible Finance?

- a way of doing business – a never-ending process of adapting your products, processes and policies to keep your clients at the center’. CGAP
- offering financial services in an **accountable, transparent and ethical manner**. By definition, responsible finance must focus on **financial service providers**, (their practices, what they do or do not do) and on **clients**, (mainly aimed at improving their capacities to access and use high quality financial services). (International Finance Group)





# Main pillars

- **Consumer Protection Regulation:** Supporting industry-wide customer protection regulation around principles of transparency; responsible pricing; fair and respectful treatment of clients; privacy of client data; mechanisms for complaint resolution; and financial education and awareness programs.
- **Financial Institutions Self-regulation:** Embedding responsible finance practices into business functions across strategy and governance, customer acquisition and relationship management, product design and delivery channels, processes and risk management, and financial education.
- **Financial Education:** Building capacity of end clients through broad-based financial awareness, financial literacy and financial education programs at the sector level and through financial institutions.”





# What is FALS?

*a client-led multi-stakeholder methodology that brings women, youth and men clients and financial service providers (FSPs) together as partners in developing and delivering empowering and financially sustainable products and services.*

Core tool:

- Responsible Finance Memorandum of Understanding (RFMOU) stating client financial plan on a Financial Management Calendar and FSP responsibilities for win-win partnership

Based on systemic integration of:

- client financial empowerment methodology
- participatory product design and market research
- social performance management







# Evolution of FALS

Started with Participatory Action Learning System (PALS) in 1998

- **Participatory Monitoring and Evaluation:**  
PLA, Appreciative Enquiry, Most Significant Changes (DFID)
- **Group empowerment methodology for microfinance:** REFLECT, Pictorial diaries, small business training (Action Aid, ILS, DFID)
- **Small business training** in Uganda and India (Trickle Up) and TWIN UK
- **Gender training for Microfinance** Pakistan, India, Sudan and Latin America (ICCO, CARE, UNIFEM, ILO, MicroCredit Summit, USAID, Aga Khan Foundation, Hivos, Oxfam Novib and SNV)
- **Gender mainstreaming in VCD** Kenya and Ethiopia (ILO) and Oxfam Novib/IFAD GENVAD in Uganda Rwanda and Nigeria, Ethiopia horticulture chains SNV
- **Local Economic Development** in Burkina Faso, Benin and Mali (SDC)
- **Happy Family Happy Coffee:** integration of GALS and technical training Hivos and Ecom Trading Tanzania, work with Nestle in Cote d'Ivoire
- **Leadership and Governance:** coffee and horticulture cooperatives in Tanzania (Hivos and Comic Relief) and Ethiopia (SNV)





## Client financial empowerment

- Financial education for livelihood improvement
- Gender and generational empowerment
- Pyramid peer sharing in families and communities for network strengthening

# Win-Win Cycle

- Identification of better and more profitable products
- Ability to use and repay more profitable products
- Ability to bring in more reliable clients

- Better partnership with clients
- Client Protection Guidelines
- Thriving economic environment for new businesses

## Sustainable FSPs

- Less time and cost wasted chasing bad debts
- Happier staff
- SPM justifies ethical branding
- Profitable and sustainable expansion to reliable and loyal clients





# Key features

- starts with client visions and plans for contribution of savings, credit and insurance to businesses and sustainable livelihoods
- intra-household strategies to change gender and generational inequalities
- client financial plan/contract tracked in own individual pictorial diaries in cheap notebooks that they buy
- upscaled by local champions through peer sharing in groups and/or individual 'relational marketing paid by new clients
- participatory product improvement from qualitative questioning and statistical analysis of savings and loan performance with clients, and exit data
- SPM uses tracking of intrahousehold changes
- client protection guidelines based on lessons learned





# Client financial empowerment tools



Tool 3:  
Happy Family Tree

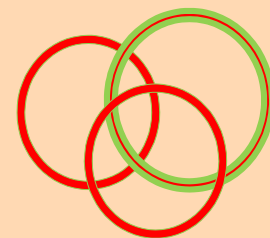
Tool 4:  
Business Finance Tree

Tool 1: Vision  
Tool 2: Vision  
Journey for  
Happy Family  
and Business

## Tool 7: Financial Planning Multilane Calendar

Savings and loan contract

Tool 6:  
Financial  
Management  
Challenge  
Action Tree



Tool 5: Financial  
Resources Map

8 modules : 7 tools plus  
recap, facilitation practice  
and peer sharing plan



# Tool 1: Happy Family Vision and role of financial services

**Step 1: Happy Family Vision**

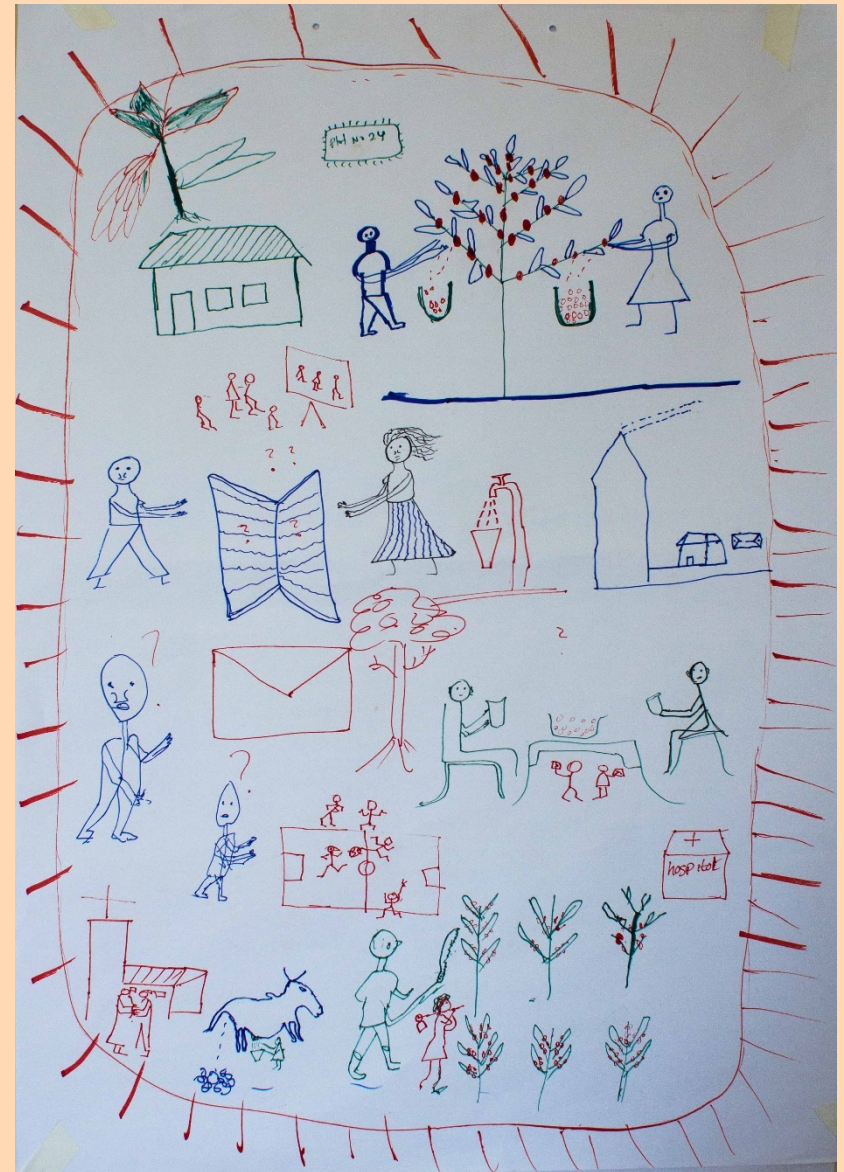
**Step 2: Role of financial services**

**Step 3: Soulmate sharing**

**Step 4: Group vision drawing**

**Step 5: Plenary**

**Step 6: My financial needs**





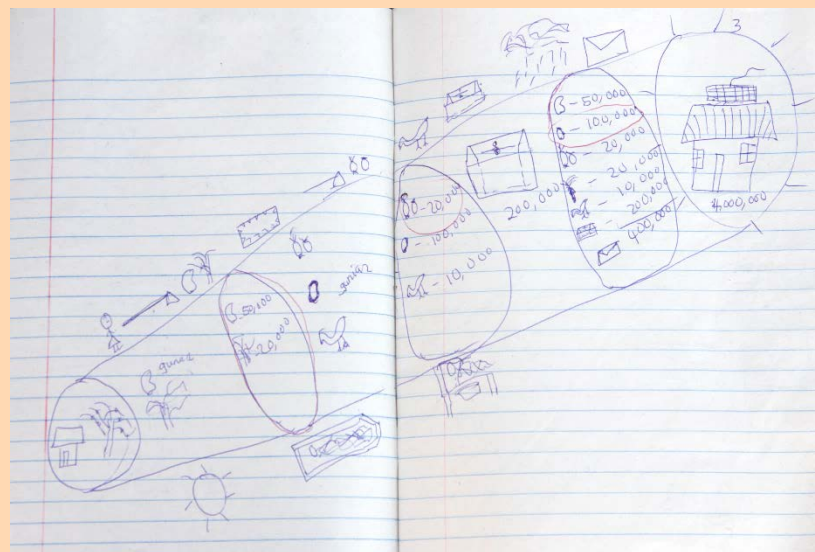


# Tool 2: Financial Planning Vision Journey

- Step 1: Vision**
- Step 2: Current situation** and road lines
- Step 3: Opportunities and challenges** (at least 10 challenges and in-depth risk analysis)
- Step 4: 1 year target and milestones** or calendar months
- Step 5: Actions and achievements** at each stage
- Step 6: Tracking:** Opportunities, challenges and progress from milestone to milestone tracked over time

This is:

- refined for Tool 6 Financial Planning Calendar
- achievements and progress fed into SPM and product improvement





# Tool 3: Achievement Journey



**Step 1: Current situation**  
and road lines

**Step 2: When did I start?**

**Step 3: What were the milestones?**

**Step 4: Opportunities and challenges** (at least 10 challenges and in-depth risk analysis)

**Step 5: Ring key achievements** and opportunities and challenges for future

**Step 6: Transfer learning:**  
Put the main things you have learned on your Vision Journey eg strategies you used and opportunities and challenges



# Tool 4 Household Efficiency Tree

Step 1: Trunk: who is in the family?

Step 2: Roots: who inputs what work?

Step 3: Branches: who spends what?

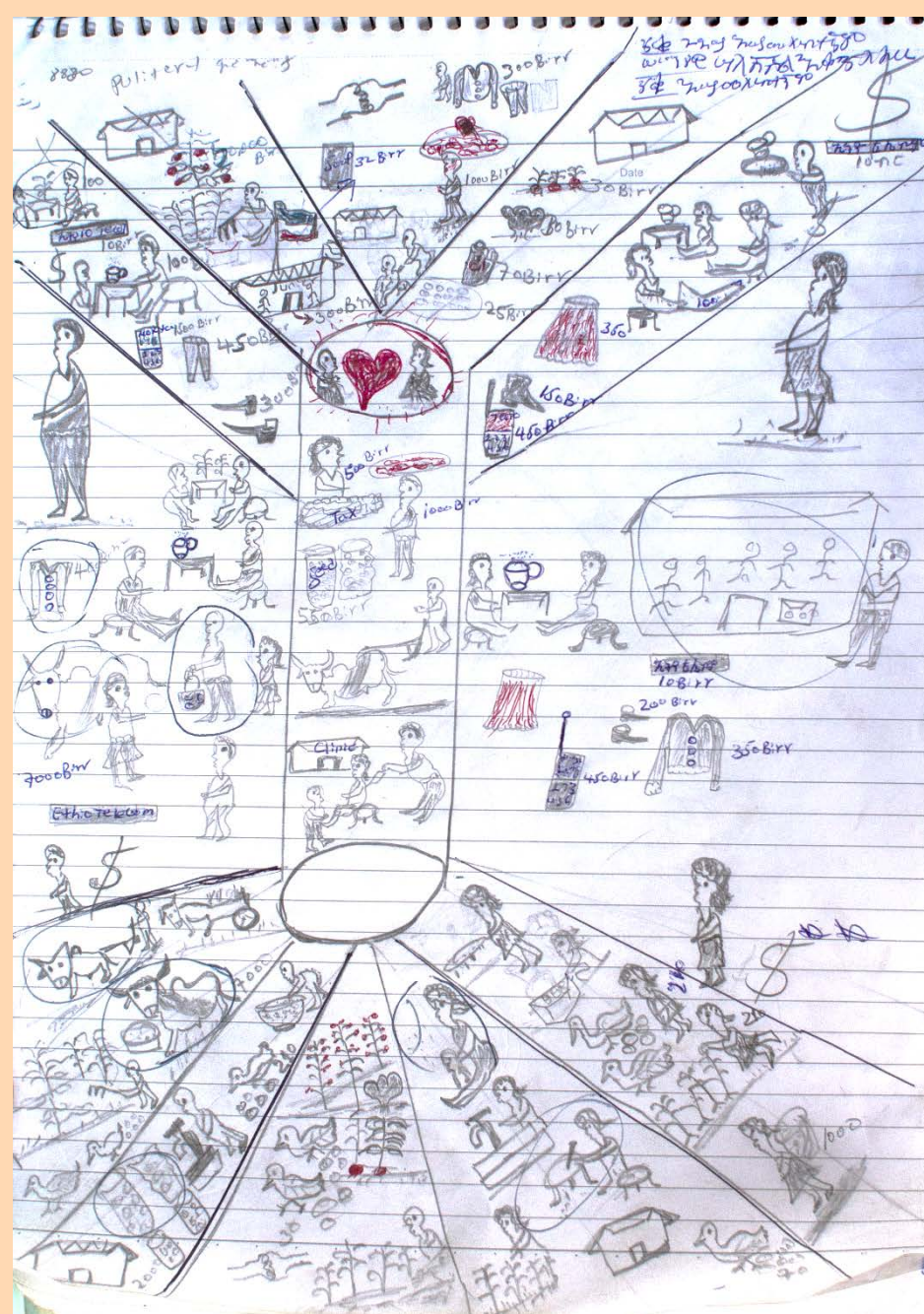
Step 4: Forces on the trunk: asset ownership and decision-making

Step 5: SMART fruits: personal change commitments

Step 6: Tracking of fruits: changes in household power relations

This tree is used to input to the middle part of the Financial Flow Tree and Challenge Action Tree and to Financial Management Plan.

Quantification of fruits feed into SPM.







# Tool 5 Financial Empowerment Map

**Step 1: Me:** how am I? what resources do I have?

**Step 2: My network:** who is around me, family, friends, groups, markets, institutions?

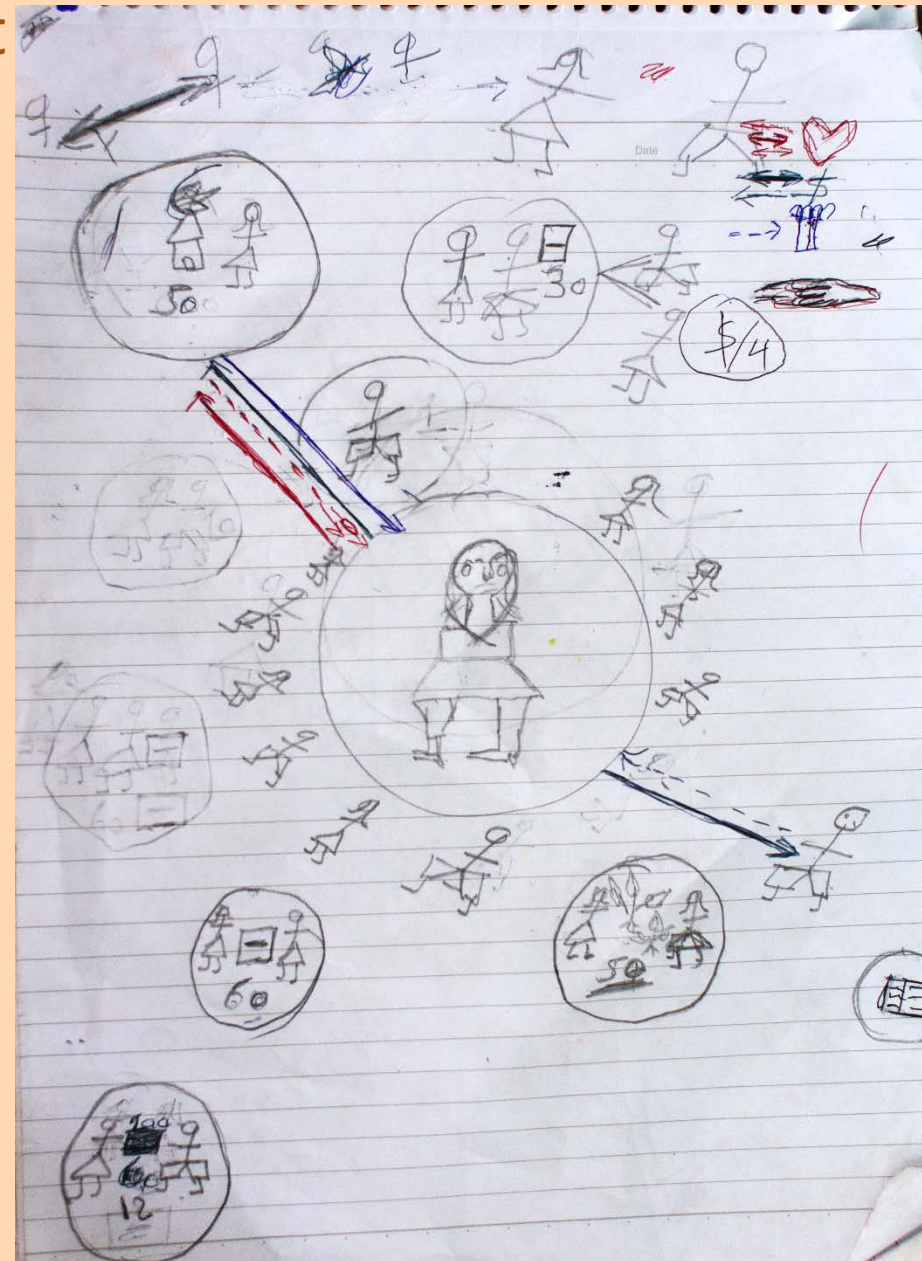
**Step 3: Relationships:** love, money, power

**Step 4: Possible changes:** which aspects do I want to change – particular emphasis on money flows

**Step 5: Who will I share FALS with?**  
People I want to help increase their incomes, get access to finance

**Step 6: Tracking – and pyramid sharing.**

This map is NOT shared with FSP. Only the peer sharing commitments.





## Tool 5 Financial FlowTree

**Step 1: Trunk** what is the business, how much production, who is involved – one person, family, partnership.

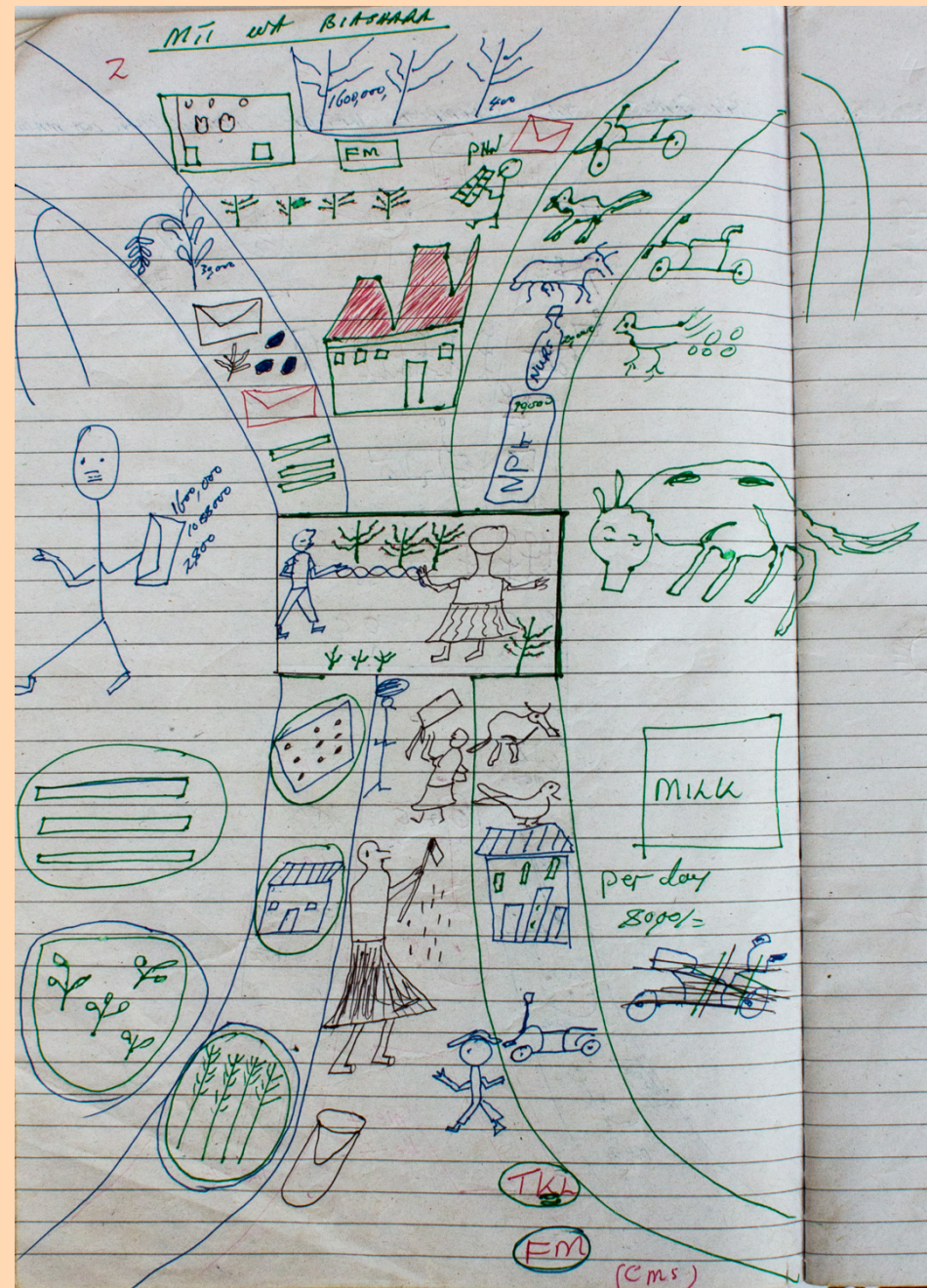
**Step 2: Roots** – business inputs, including calculation of finance needs

**Step 3: Branches** what is income used for?

**Step 4: Investment, savings and loan**

**Step 5: Tracking**

This tree is then transferred to timed plan in Tool 6. And used by staff as cross check on Tool 6.





# Tool 6 Financial Management

## Challenge Action Tree

**Step 1: Trunk** what is the business, how much production, who is involved – one person, family, partnership.

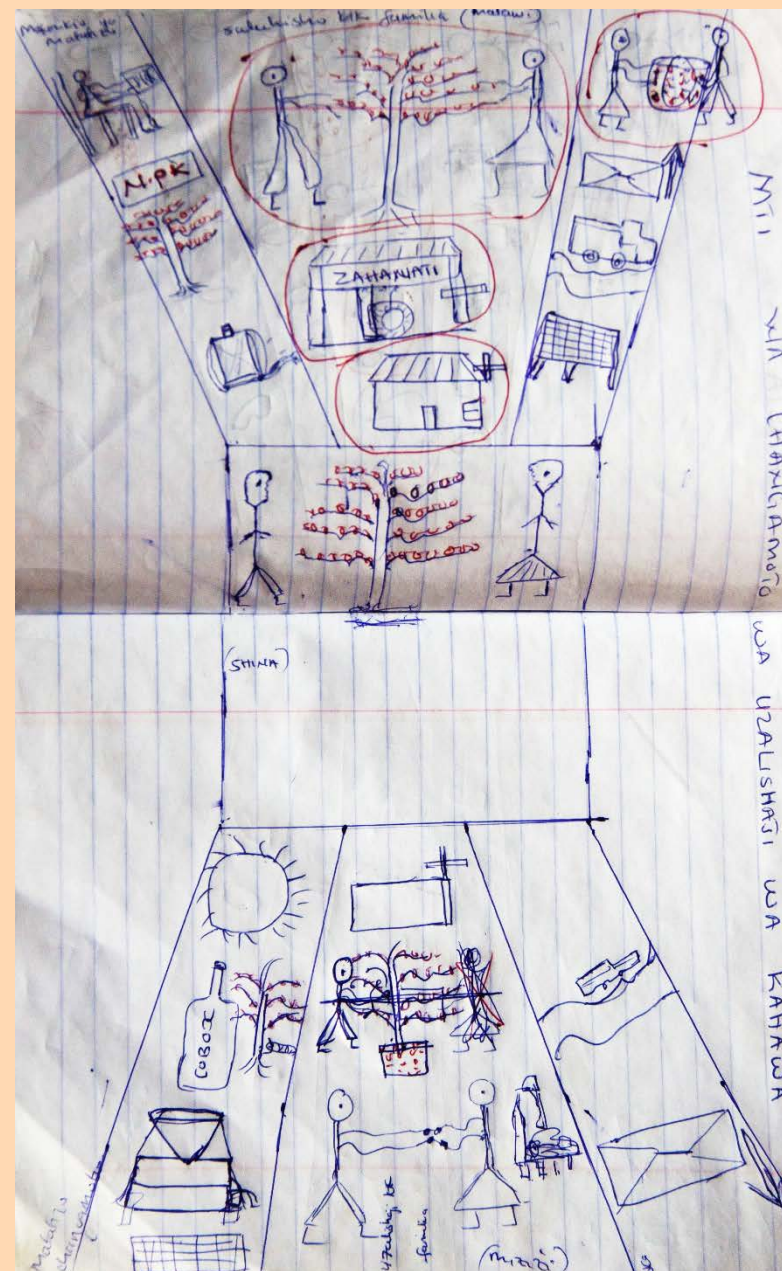
**Step 2: Roots** what are the challenges? left is production, right marketing, middle family

**Step 3: Branches** what are the solutions?

**Step 4: SMART Commitment Fruits:** summarises the concrete actions from the other tools

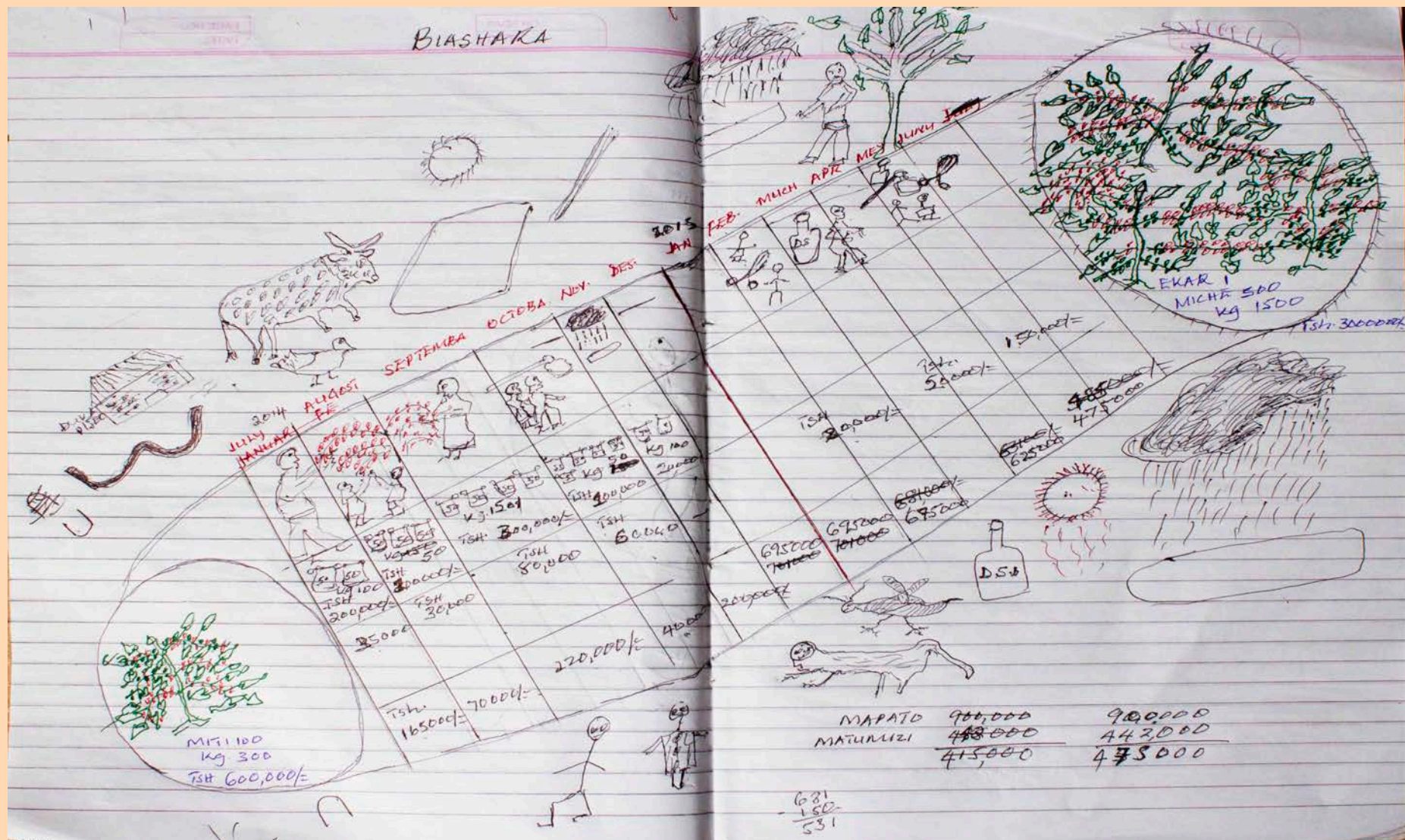
**Step 5: Tracking**

- The commitments and challenges are used as part of the timed plan in Tool 6.
- Fruits can be tracked for SPM.
- Same tool can be adapted for product development.





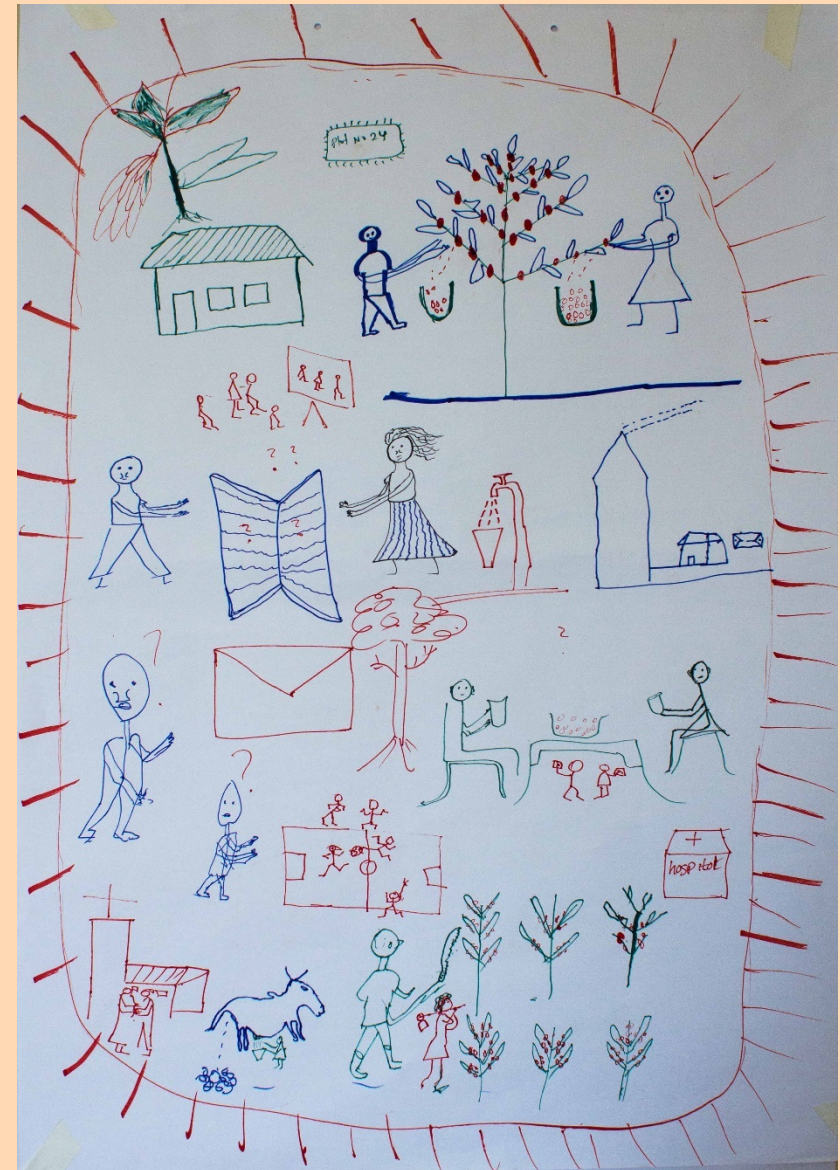
# Tool 8: Financial Planning Calendar





# FSP level Tool 1: Responsible Finance soulmate visioning

- **Step 1: Visioning Responsible Finance**
  - Which financial services?
  - Who is included? Clients? FSP? Other?
  - What is their relationship? Specific qualities?
  - What is the benefit? To whom?
- **Step 3: Soulmate sharing**
- **Step 4: Group vision drawing**
- **Step 5: Plenary**
- **Step 6: My financial needs**







## For each relevant social group



# FSP level Tool 3: Responsible Finance WinWin Diamond

Colour-coded for each relevant stakeholder group

Step 1: Likes (top): What do you are the most important considerations in good financial services

Step 2: Dislikes (bottom): What do you think are the worst aspects of bad financial services

Step 3: Discussion, ranking and voting

Step 4: What do you want most to change?

## Plenary

Feedback and establishment of common win-win responsible finance indicators

## SPM

Can be quantified to track changes and improvements

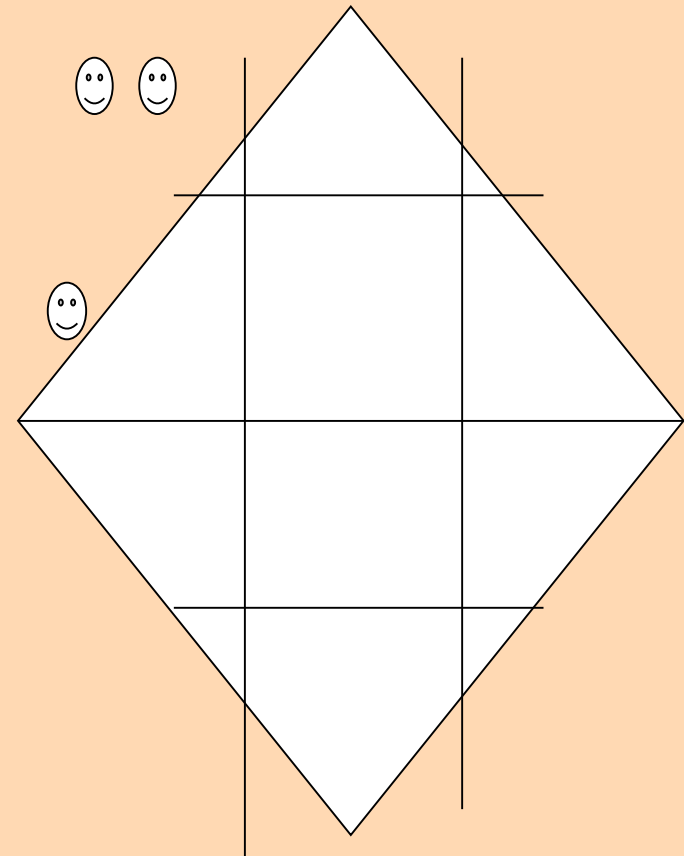
Can be done for specific products

All disaggregated by gender and other relevant social grouping

*Clients colour  
coded by social  
group*

**Win-  
win**

*FSP – can also  
be colour-coded  
eg by staff level*







**Step 2: Roots** what are the challenges? left is clients, right is FSP, middle both

## Step 4: contextual forces on the trunk.

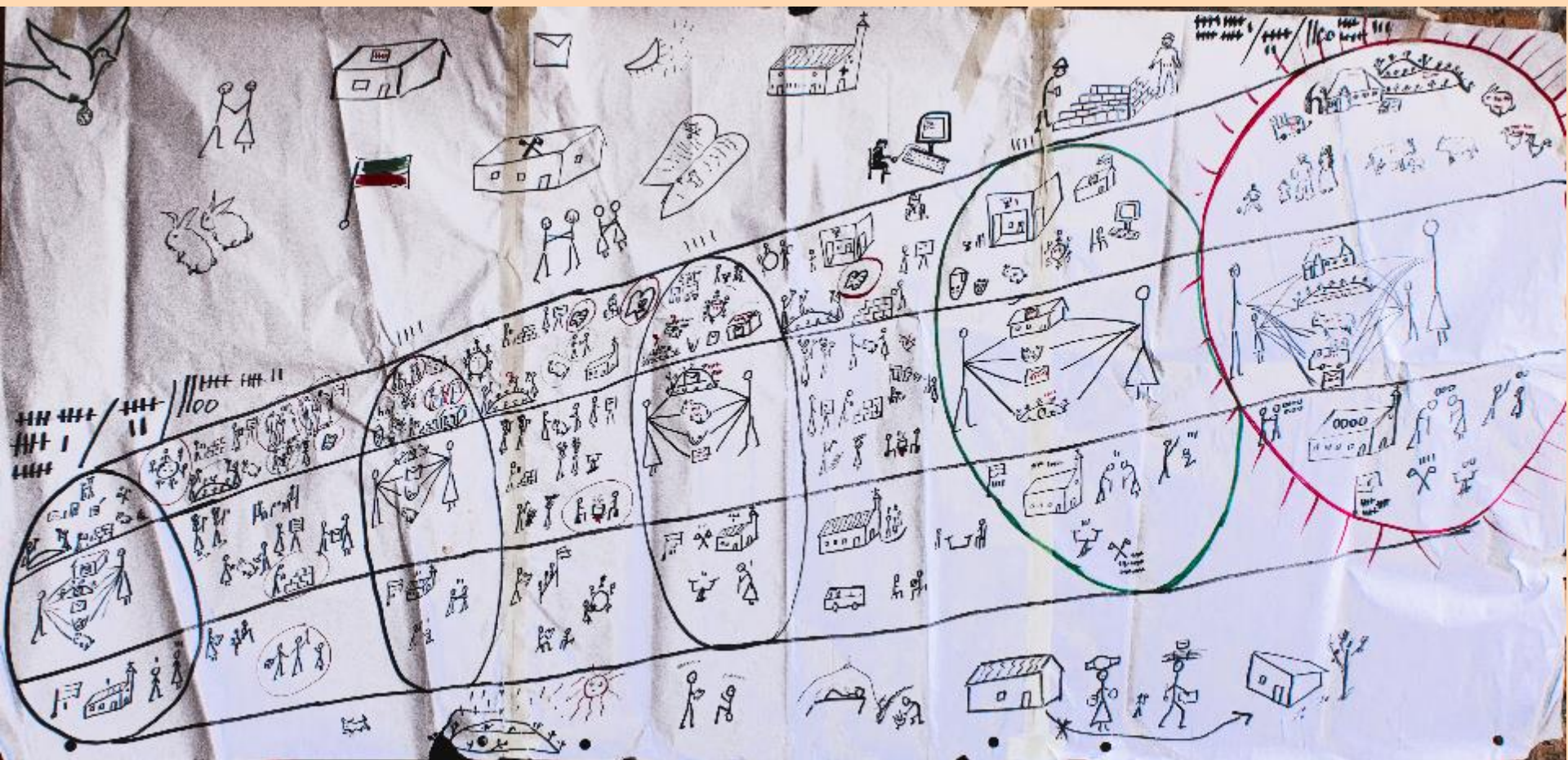
optional/for plenary

## Step 6: Tracking



# FSP Level Tool 5: Organisational Strategy

## Multilane Vision Journey





# FALS information system

Group level recording  
and quantification

Integration into SPM

Community level

Organisational level

To donors

Individual client financial  
diaries

Internal assessment and  
personal transformation  
of staff



# FALS Stages

- **Stage 1: Catalyst process:** 3 months: piloting the client financial empowerment methodology with the first champions, establishing peer sharing structures and stakeholder awareness
- **Stage 2: Financial Action Learning System:** 9 months review of the methodology, staff training and setting up of product development and SPM integration process. Ongoing use and upscaling by champions.
- **Stage 3: Sustainable empowerment and profitability** review, certification of first champions, client FSP partnership MOU, significant upscaling



# Country-level implementation

- Piloting in 3 different types of institutions in different regions to refine the models
- Finetuning the client financial empowerment tools so they are simple and streamlined enough
- Streamlining linkages between financial empowerment, product development, SPM and client protection at organisational level





# Advantages

- Integration of financial literacy, SPM, product development and client protection through the same tools used at different levels
- Facilitates multistakeholder engagement and client graduation and linkage between clients, groups and banks
- Voluntary peer training within social networks for exponential upscaling
- Certification of core of proven community trainers for new areas paid by organisation/groups
- Then relational marketing for organisational expansion
- Aim for sustainability and even profitability after 2 years
- Enables more focused response and role for FSP staff and





# Challenges

- Overcoming the prejudice that ‘illiterates don’t have a brain’
- Reinforcing the confidence of clients that they can manage their finances
- Maintaining the necessary momentum for change at household level once there are dollar signs.
- NO BLUEPRINTS



# RESOURCES

- Gender and microfinance:  
<http://www.gamechangenetwork.info/GenderMainstreaming/Financial%20services/FinancialServices.html>
- GALS methodology: <http://www.galsatscale.net>
- PALS and GALS processes:  
<http://www.gamechangenetwork.org>
- Ethiopia SNV/GYEM:  
<http://gamechangenetwork.org/africa/ethiopia>
- Earlier GALS workshops in Nigeria:  
<http://gamechangenetwork.org/africa/nigeria>
- A summary page with key resources and links for the Nigeria process is planned for the IFAD and RUFIN websites.

