

**Authors**

Sneha Stephen  
Senior Advisor to Chief Economist, USAID

Pooja Wagh  
Program Manager, Financial Capability

**Researchers**

Jeanne Lafortune  
Pontificia Universidad Católica de Chile

# Financial Education in the Digital Age: It's affordable, it's scalable - but does it work?

In the past couple of decades, the world has experienced a radical shift in the way information is accessed and delivered. The technological revolution has made it possible for most people in rich countries and a significant number in poor countries to become knowledgeable on any imaginable topic. Everything from agricultural guidance to health information to university-level courses is increasingly available to anyone who can access the Internet.

Given the fast pace of technological innovation in many fields, it is unsurprising that the delivery of financial education over digital platforms is becoming more commonplace. Organizations like Doorways to Dreams and Khan Academy are leveraging digital platforms to design financial education programs that can be affordably rolled out to thousands of people, while still catering to the needs of each student. Such financial education, delivered through tablet computers, mobile phones or other personal devices, can be individualized. It can be designed to be self-paced and self-directed, personalized for the particular context, or timed to coincide with a person's decisions, all without the high price tag of hiring a fleet of specialized trainers or personal wealth management advisors.

Financial education is recognized as a key strategy for achieving full financial inclusion, but current methods – which often involve in-person group trainings by a human trainer – have failed to consistently improve the knowledge and behavior of beneficiaries. And even if the impact of these programs was significant, their cost would make scaling them a daunting prospect. In the face of a large financial capability gap, a technology-based, individualized learning solution that can potentially deliver high-impact financial education to millions at a low cost is attractive. But before we put an iPad in every person's hands, there is still much we need to learn. What is the impact of individualized technology-based financial education on financial knowledge and behavior? Are observed benefits only anecdotal, or is the average impact positive across thousands of users? How do the costs compare to the measured impacts?

To help answer these questions, Innovations for Poverty Action, with support from the Citi Foundation, is partnering with researchers and practitioners to rigorously evaluate several programs that use technological solutions to provide individualized financial education. Through a set of new randomized evaluations, we are exploring the potential of programs that are:

**Self-paced and self-directed.** Beneficiaries of Colombia's conditional cash transfer program, Más Familias en Acción, are receiving access to a financial education application that runs on tablet computers. The application provides practical training and information with simulators, interactive exercises and testimonial videos. Community leaders circulate the tablet among users, who can study in the privacy of their own homes, learning at their own pace, in their own time, repeating training modules until they feel confident, and sharing the content with their families.

**Personalized.** In Chile, computer kiosks at social services offices allow Chileans to forecast their pension payout upon retirement based on their personal information, simply by identifying themselves using their national ID card and fingerprints. By changing some key variables (like income and anticipated retirement age), individuals are able to see how their personal financial decisions today affect their eventual pension payout.

**Opportunely timed.** Indian microentrepreneurs will receive financial education in the form of rules of thumb (which have been shown to improve business practices in the Dominican Republic) through weekly push calls on their mobile phones. The rules of thumb will be tailored to address issues specific to microentrepreneurs, such as a failure to separate personal and business accounts, which could interfere with positive business outcomes. In addition, the microentrepreneurs will receive supplemental text messages that reiterate the rules of thumb concepts at particularly relevant moments.

Through randomized evaluations of programs like these, we hope to gain insight into whether technology-based financial education is as promising as it appears, both in terms of impact and cost-effectiveness. Gaining insights about the operation of digital financial education, in part through studies like these, will help us improve future program designs and move us more quickly toward solutions that will close the financial capability gap cheaply and effectively.

*Sneha Stephen and Pooja Wagh are Initiative Coordinators with IPA's Financial Capability Research Fund.*

*Editor's Note: This post is cross-posted with NextBillion, [here](#).*

December 17, 2014