

# Outcomes Working Group Webinar: Early signs of client stress and over-indebtedness



Speakers: **Bobbi Gray**, Research Director at Grameen Foundation and **Caitlin Scott**, Social Performance Manager at Friendship Bridge Guatemala

Facilitator: Amelia Greenberg, Deputy Director of SPTF

*23 February 2017*



# Agenda

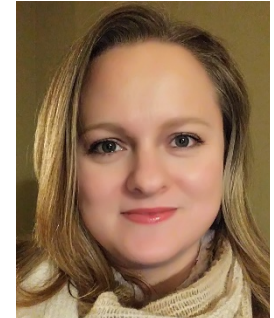
- Introduction (5 min)
- Overview of early stress indicator work done by Grameen Foundation (15 min)
- Presentation of game created by Friendship Bridge to understand how clients respond to over-indebtedness (30 min)
- Questions and discussion (10 min)



# Introduction to the Outcomes Working Group

- Purpose is to identify, share, and promote good practice
- Activities change annually, but typically involve webinars and resource development
- 2017 : pilot test indicators
- Eventual goal: outcomes standards

# Introduction of speakers

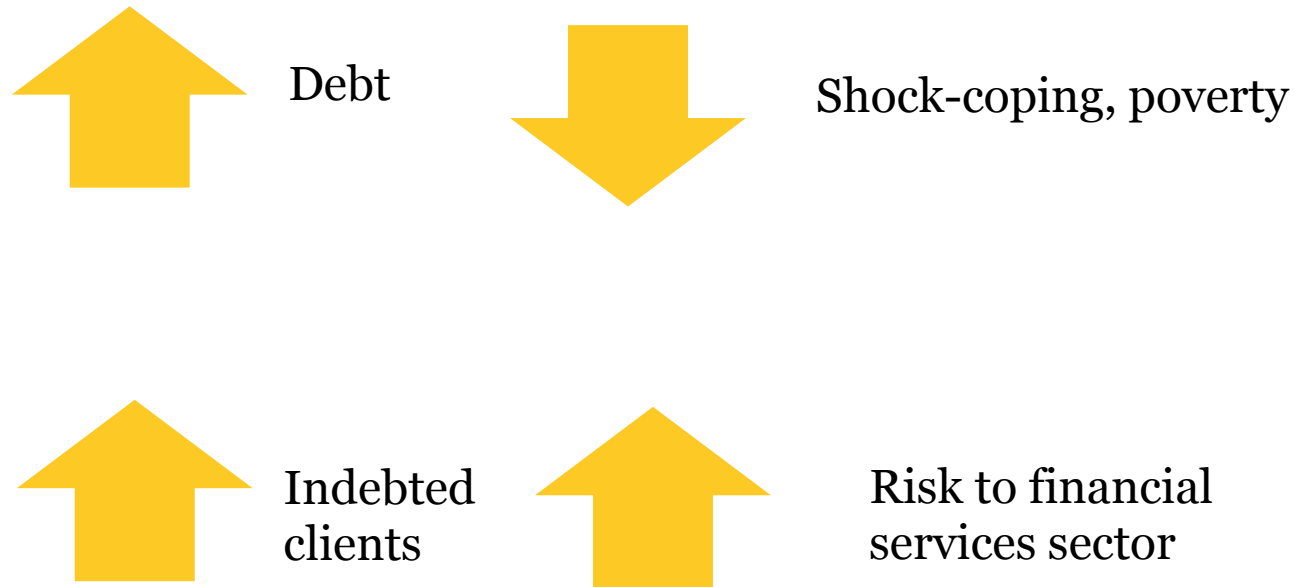


- **Bobbi Gray** – leads Research, Evaluation and Monitoring activities for the combined Freedom from Hunger/Grameen Foundation portfolio. Currently is facilitating an SPTF pilot project with financial service providers in Peru to develop client outcomes measurement and management systems.
- **Caitlin Scott** – created and manages the Social Performance Department at Friendship Bridge, where she has worked for eight years. She is responsible for promotion of and compliance with best practices for Universal Standards and manages monitoring and evaluation.

# Outcomes Working Group Indicators - to date and planned

- Business & Entrepreneurship
- Poverty & Assets & Housing
- Resilience & Vulnerability
- Health
- **Financial Stress/Health**
- Women's Empowerment
- Agriculture
- Education
- Social Capital

# Financial Stress/Health



How can we **measure financial stress** so that **action can be taken** to reduce the likelihood of a crisis at both household and sector level? Can we create an “**early-warning system**” to detect stress before it’s a bigger problem?

# Financial Stress/Health measures: Desk research

- Well-known examples: Small Enterprise Foundation (SEF)
- Research: IPA/JPAL (Fields & Pande, India loan repayment study); Freedom from Hunger resilience research in Burkina Faso
- Resilience indicators (facilitated by Anton Simanowitz, SPTF)
- World Values Survey
- IFMR CGAP-funded research in India
- Consumer Financial Protection Bureau (US govt.)/Center for Financial Services Innovation/Center for Financial Inclusion/Dalberg
- ...various others

# Financial Stress/Health measures: Draft of indicators (1)

- **Self-perceived financial stress:**
  - confidence in ability to repay loan,
  - anxiety about loan repayment,
  - argument with spouse about finances,
  - time spent thinking about repayment in last day,
  - general stress level as related to personal finances.
- **Satisfaction with life as a whole:**
  - general satisfaction with life
  - satisfied with financial situation of household



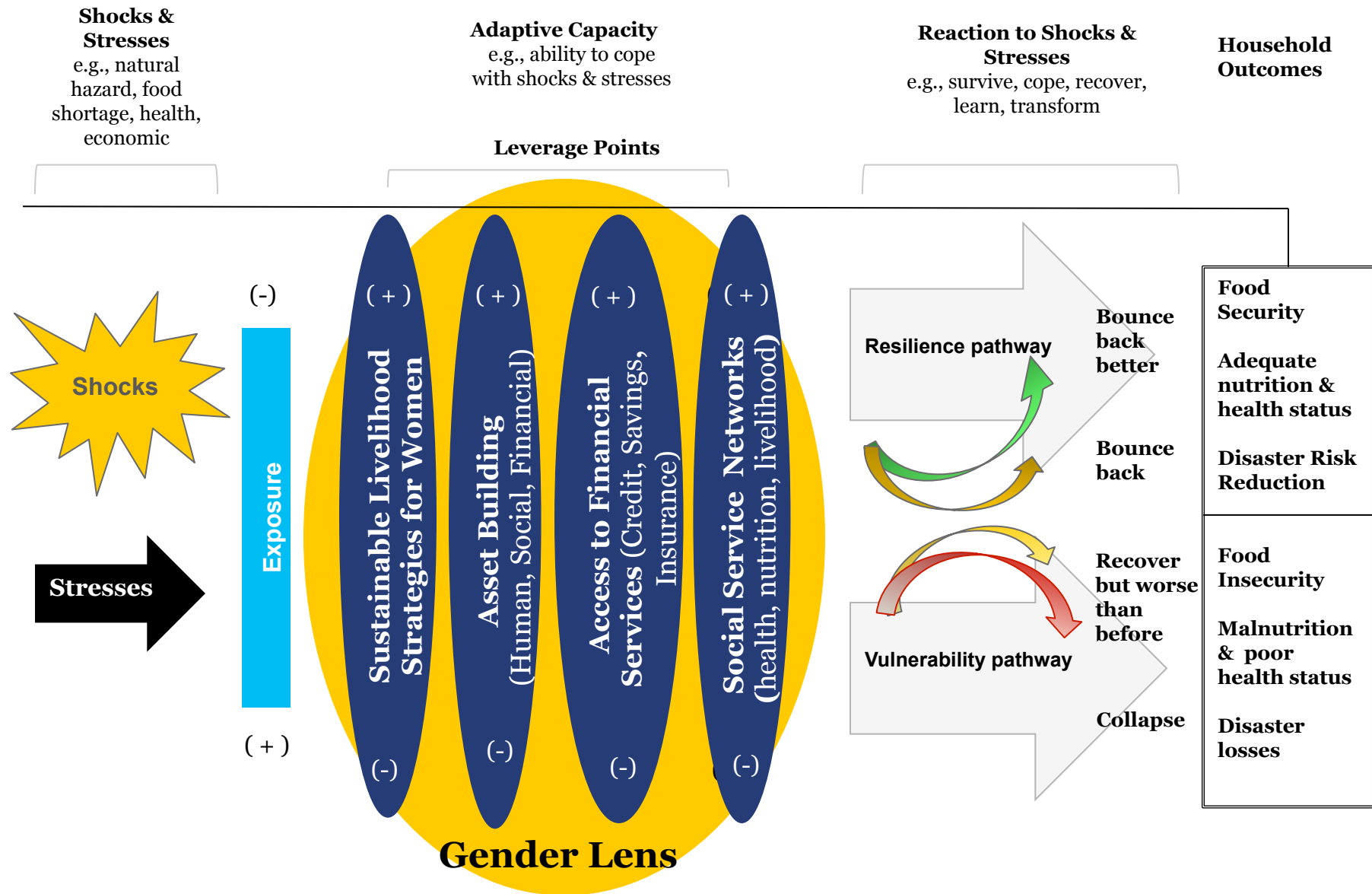
# Financial Stress/Health measures: Draft of indicators (2)

- **Consequences of or experiences from financial stress:**
  - Food security status/change in household diet
  - Reduced Coping Strategies Index (rCSI)
  - Household (in)ability to pay for key basic household expenditures (e.g., medical visits, education costs, electricity, clothing)
- **Financial service provider records:**
  - Change in attendance
  - Change in savings, repayment rate
  - Over-indebtedness measures (Borrowers' existing fixed and regular debt obligations + Additional debt obligations from the new loan) < (Average monthly income – Minimum living expenses for family)

# Financial Stress/Health measures: Draft of indicators (3)

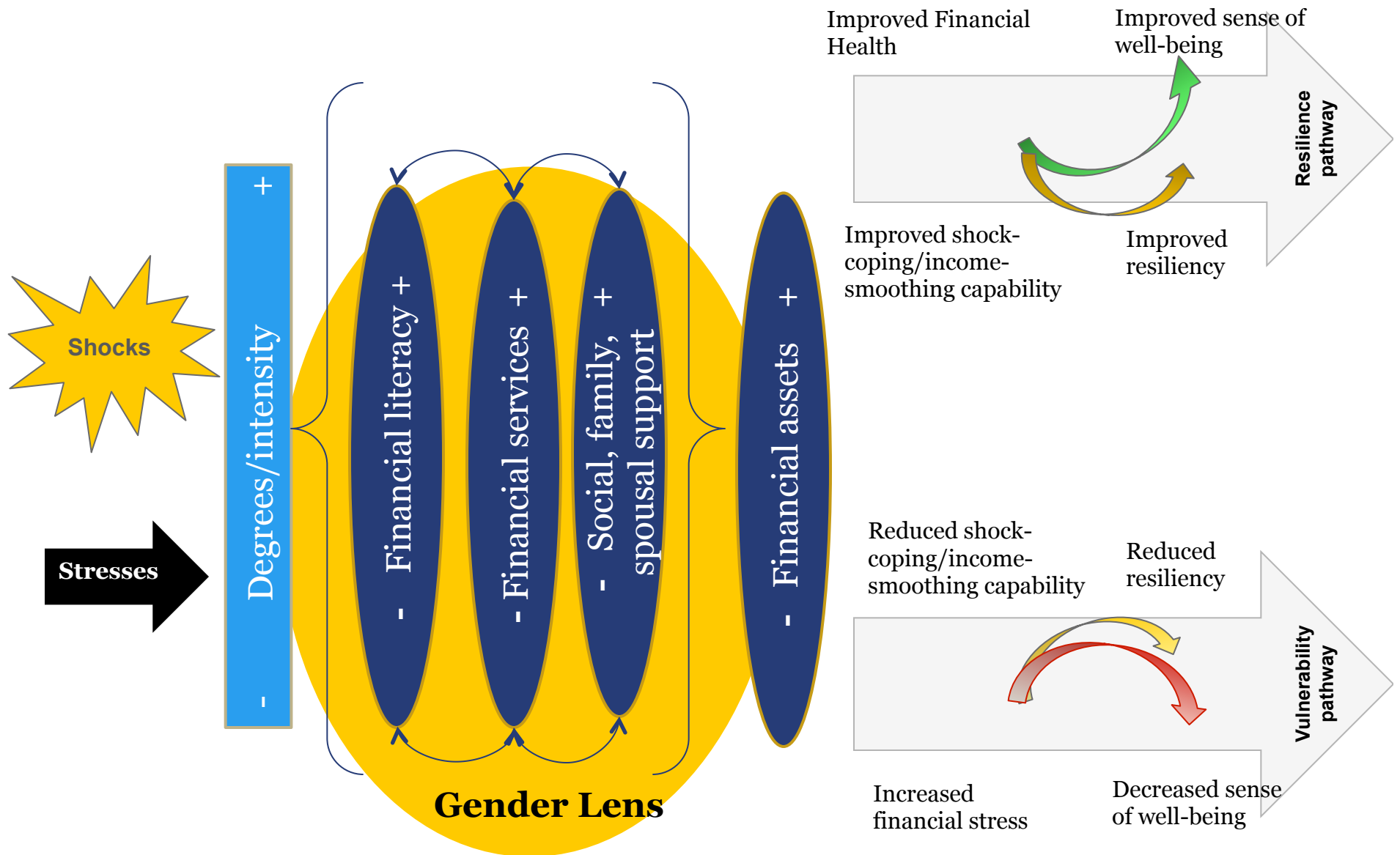
- **Financial Well-Being Scale:**
  - *Questions include statements such as: “Because of my money situation, I feel like I will never have the things I want in life, I am just getting by financially, I am concerned that the money I have or will save won’t last.”*

# Grameen Foundation Resilience Framework



TANGO 2012. Adapted from DFID Disaster Resilience Framework (2011), TANGO Livelihoods Framework (2007), DFID Sustainable Livelihoods Framework (1999) and CARE Household Livelihood Security Framework (2002)

# Financial Health/Stress



# **Client Over-indebtedness Assessment**



**FriendshipBridge**

Empowered Women Eliminating Poverty

# Objective



Friendship Bridge decided to conduct focus groups to quickly:

- Understand root causes of over-indebtedness
- Identify early warning signs
- Evaluate financial skills
- Identify opportunities

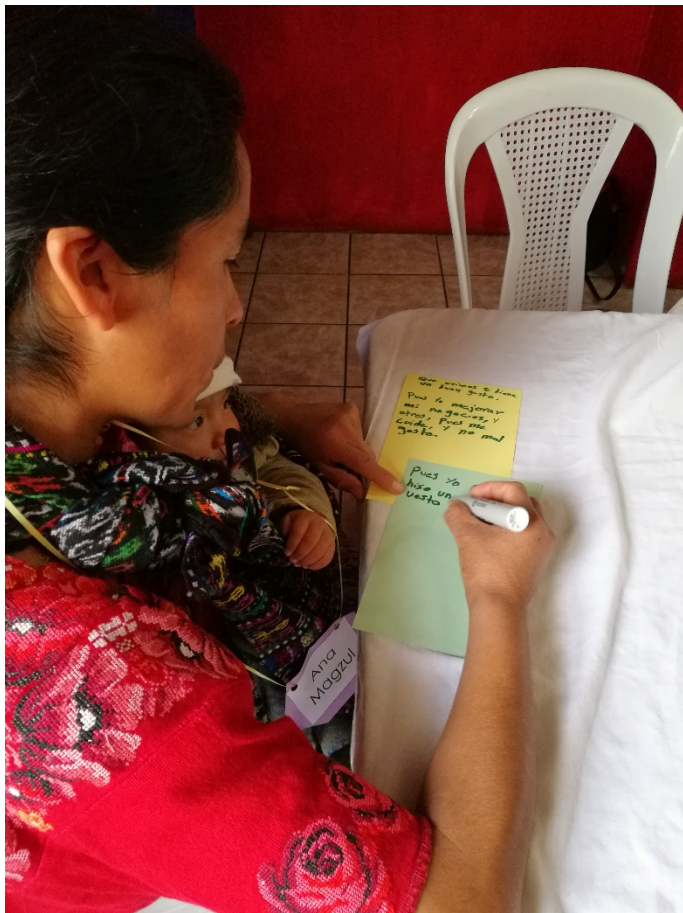


# Observation through play

Created a game “My Decisions About My Money”



# Identification of Financial Stress



No.	Cosa	Rango de Valoración
1.	😊 Invertir más en mi negocio	Q. 1000/+
2.	😊 [invertir bienes]	Q. 500 a Q. 999
3.	😊 Construir/mejorar mi casa	Q. 0 a Q. 499
4.	😐 Muchas deudas	-Q. 1 a -Q. 499
5.	😞 No tendrían educación sus hijos.	-Q. 500 a -Q. 999
6.	😞 Enfermedad - muerte.	-Q. 1000/-



# Play Game



Start →

Payday <sup>1</sup>	Income <sup>2</sup>	Fixed Expense <sup>3</sup>	Investment Opportunity Chance Dividends <sup>4</sup>	Spending Decision <sup>5</sup>
Payday <sup>6</sup>	Preventive Expense Decision <sup>7</sup>	Personal Development Opportunity <sup>8</sup>	Fixed Expense <sup>9</sup>	Solidarity Decision <sup>10</sup>
Payday <sup>11</sup>	Fixed Expense <sup>12</sup>	Savings with dividends Opportunity <sup>13</sup>	Kick-back From Investment <sup>14</sup>	Severe Accident Expense (chance) <sup>15</sup>
Payday <sup>16</sup>	Social Mores Expense <sup>17</sup>	Kick-back From Preventive Expense <sup>18</sup>	Occasional Expense <sup>19</sup>	Fixed Expense <sup>20</sup>
Payday <sup>21</sup>	Business Expense with Variable chance Payoff <sup>22</sup>	Kick-back Personal Development <sup>23</sup>	Fixed Expense <sup>24</sup>	Big Investment Risk with big variable chance Dividends <sup>25</sup>

END

# Participant Discussion



1. How did you end up?
2. What decisions got you there?
3. If you were to play again, what would you do differently?
4. What rules would you change?

# Conclusions

1. Clients showed a basic financial skills level, but the context in which they live affects application of financial ability
2. Credit is used as insurance
3. Social collateral mechanism is being stretched

## Conclusions (continued)

4. Level of accessibility and source of credit are factors of over-indebtedness
5. There is misuse of credit products to generate regular income stream activity because primary income is lumpy
6. There are observable behaviors that are early warning signs of increasing financial distress

# Observable signs of financial stress

- Do not attend meetings
- Do not go to family functions
- Hide when they are looked for
- Lie. Ask others, including their children, to lie for them when others are looking for them.
- Children drop out of school
- Frequently sick
- Drastic change in their morale to repay - "Go ahead. Send me to jail. I'm not going to pay."

# Action

1. Fortify financial and business management skills of clients in educational sessions
2. Use game as financial literacy tool for clients and staff
3. Strengthen solidarity of new Trust Banks, and consider removing social collateral of older groups
4. Reinforce importance of business verification in policies and procedures

## Action (continued)

5. Train loan officers to recognize behaviors of financial stress
6. Shorten time between application and disbursement to reduce risk of over-borrowing
7. Mitigate against increasing influence of external factors of over-indebtedness

# Possible responses and expected challenges

## **How can an FSP use the data productively? Some ideas:**

- Education – relevant to client's situation without directly acknowledging it
- Direct acknowledgment of problem – could work in certain cultures, if there is trust between loan officers and clients
- FSP offers an intervention (e.g., rescheduling, emergency loan)

## **Expected challenges:**

- Reluctance to invest in staff training
- Data systems not equipped to support process (capture, storage, reporting)





# Discussion

- Comments?
- Questions?

# Thank you!

- Please email [info@sptf.info](mailto:info@sptf.info) to continue the conversation
- OWG resources are posted here : <http://sptf.info/working-groups/outcomes>
- Outcomes is on the agenda at the 2017 SPTF annual meeting:
  - All-day working session on June 6
  - Plenary session and case studies on June 8