

## **The impact of financial literacy skills training**

Financial literacy is the essential element for a smart relationship with money. It is the start of a lifelong journey of managing the financial aspects of your life, knowing the basics of money management, budgeting, saving, and investing contributes to a more successful and less stressful life. The earlier you start to become financially literate, the better off you will be and this determines your future. The range of skills that fall under the financial literacy training includes household budgeting, managing debt, evaluating financial products, choosing investments among others. Many of these skills require at least a working knowledge of key financial concepts, such as compound interest and the time value of money.

Through VSLA, FFS and other social structures, COVID has been rolling out financial literacy intervention. These interventions have been proven to be key in fostering the financial behaviors of targeted communities, thus improving livelihoods of vulnerable communities.

### **Why Financial Literacy training**

Broadly, the benefit of financial literacy is that it empowers individuals to make smarter decisions about their finances through different ways as stated below.

- Financial literacy can prevent devastating financial mistakes: Naive financial decisions can have devastating effects. The payments on a floating-rate loan can rise unexpectedly.
- Financial literacy prepares people for financial emergencies: Losing family properties or having a major unexpected expense is never easy, but the blow is cushioned for those who have an emergency fund.
- Financial literacy can help individuals reach their goals: By understanding how to budget and save money, people define their immediate necessities and focus their minds ahead to important financial goals.
- Financial literacy fosters confidence: With knowledge about finances, individuals can approach major life choices with greater confidence. They'll be more likely to achieve the outcome they desire and less likely to be surprised or hurt by unforeseen outcomes.
- Financially literate people can cope with the basics of spending, saving, borrowing, and planning.
- A strong foundation in financial literacy supports life goals, such as paying for education or retirement, using debt responsibly, and running a business effectively.
- Financially literate people are not vulnerable to fraud.
- Key aspects of financial literacy include learning how to create a budget, plan ahead, and make wise decisions about investing.

Financial literacy trainings targets members of VSLA by empowering them with financial skills as indicated above. Through financial literacy skills training, VSLA members from vulnerable households develop household plans before they borrow money to meet their individual and household needs. This has helped members to start businesses such as selling clothes, retail

shops, groceries, buying properties such as livestock, land and motorcycles while others have constructed semi-permanent houses.

For example, Ntahizaniye Alfred a Burundian, male, aged 42 years with family of 9 members, staying in Ngarama C Nakivale refugee camp, had attended different trainings on financial literacy, agribusiness skills where he got skills that helped him to improve his standards of living. Before financial literacy, Alfred narrated that he had a challenge of saving habits whereby he had no saving skills due to limited access to trainings more especially financial literacy skills trainings. Other challenge were poverty and lack of self-esteem to manage his finances.

During the identification of beneficiaries, Alfred was selected and he joined VSLA group called Dufashanye group located in Ngarama C. Through VSLA, he was able to attend various financial literacy trainings covering different topics. From the trainings, he acquired financial management skills, positive financial behaviors among others. These helped him to increase on saving and utilization of loans. He narrated that during the first saving cycle, he was able to share 600,000shs from his saving which he used to start a business of retail shop. Initially he had bought a commercial one room house, therefore, he used it to run his retail shop. However, that house had wooden door but in the second cycle, he got loan of 150,000shs and added 90,000shs from the shop which he used to buy a metallic door for his shop.



*Mr. Alfred with his wife and children in their shop located in Ngarama C*

In addition to financial literacy training, the group also was trained in agri-business skills training. After the training, the group decided to take up piggery where the project distributed them with 3 piglets. They kept distribute young piglets among themselves after birth. After 2 years, group

decided to sell the pigs. After selling, he was able to get 300,000shs from group. After getting that money, he decided to sell his individual pig at 500,000shs and in total he collected 800,000/= which he used to construct semi-permanent house which they live in.



*Mr. Alfred on his family house located in Ngarama C*

### **Recommendations to Improve Financial Literacy Skills and Conclusions**

Governments and development organizations play a crucial role in improving financial literacy within their populations. They can implement various strategies and initiatives to promote financial education, empower individuals to make informed decisions, and enhance overall financial well-being.

- ✓ Financial literacy program should be initiated and integrated into by government programs such as PDM.
- ✓ Financial institutions should Incorporate Financial Education in their programs.
- ✓ Provide Adult Financial Education. Government and CSOs should offer workshops, seminars, and webinars on topics such as budgeting, debt management, retirement planning, and investment to their citizens.
- ✓ There should be clear collaboration with Financial Institutions such as commercial banks, SACCOS, microfinance among others. The Governments can partner with Banks and Credit Unions to provide financial education with community members.