

# Financial Literacy Inclusion Project (FLIP)

Papua New Guinea





## About this report

This brief summarises the results from a formal evaluation of the Financial Literacy Inclusion Project (FLIP), conducted between April and September 2020. The evaluation design was done jointly by WVPNG and WVA and the data collection was managed by WVPNG with external enumerators.

Julie Imron, independent consultant, was hired to analyse the data and write the report, and additional data analysis was completed by Vincent Potier for this brief.

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## Context

**Papua New Guinea is a country of remarkable social and ecological diversity<sup>1</sup>. Despite this, over 60% of the rural population are living in poverty. In rural areas, financial services face restricted supply and demand: supply hindered by geographic isolation, lack of mobile phone coverage and low perceived market potential; demand by lack of financial knowledge and saving culture. Within this, the massive challenge of gender inequity<sup>2</sup> hinders all economic and social development efforts. Men control most of the resources and make most decisions.<sup>3</sup> Women are half as likely as men to have an account with a financial institution or savings group<sup>4</sup>, restricting financial literacy, confidence and ability to access a loan in times of need.**

In the areas of Madang, East Sepik and Bougainville, a 2018 World Vision survey found not only lower than national access to financial services (just 32% of households), but also significant gender disparities. Incomes from cocoa farming, the main occupation, were controlled by men while women made daily purchases such as food for the family<sup>5</sup>. As a result, households were often unable to cope with unexpected or substantial expenses, such as education costs, or to invest in productive activities that could contribute to income increase.

World Vision Papua New Guinea (WV PNG) has a long-term commitment to economic development, aiming to increase household capacity to generate income, save, manage and invest money for enhanced child and family well-being. This can only be successful if gendered power dynamics are intentionally addressed. In this context, the Financial Literacy and Inclusion Project (FLIP) aimed to improve savings-led financial access and equitable decision-making of rural households, leading to a fairer balance of participation, productivity and investment in child wellbeing.

## Project overview

The Financial Literacy and Inclusion Project (FLIP) was a three-year project (July 2017-June 2020) supported by the Australian Government through the Australian NGO Cooperation Program (ANCP). Over this time 3,244 people (51% women) joined Savings for Transformation (S4T) groups and benefited from savings, loans and financial literacy training, in four locations: Bougainville, East Sepik, West Sepik, and Madang. The project worked alongside the Productive Partnership in Agriculture Project (PPAP)<sup>6</sup> to enhance resilience and market-readiness of households taking part in this rural agriculture scheme.

In total 126 savings groups formed, each with 10 to 25 members operating on a nine to twelve month cycle of saving, pooled resources, loans and dividends. Groups were supported and monitored during their first cycle. Management committee members (44% women) received additional training on effective management and leadership. The project used a 'cascade' approach, firstly training through group members and PPAP staff using a curriculum simplified from the Centre for Excellence in Financial Inclusion (CEFI)<sup>7</sup>, then in the third year shifting to a gender-focused Resilient and Inclusive Social Enterprise (RISE) model and appointing 40 Village Saving Agents (VSAs) from the strongest S4T leaders. Training through VSAs, who already lived in the area, proved to be the most effective approach to date, with 2,258 people signed up to training in the final year. Of these, 59% were women.

1 Poverty is multidimensional, as measured in Global MPI Country Briefing 2020: Papua New Guinea, 2020. Oxford Poverty and Human Development Initiative (OPHI). [https://ophi.org.uk/wp-content/uploads/CB\\_PNG\\_2020.pdf](https://ophi.org.uk/wp-content/uploads/CB_PNG_2020.pdf) (accessed by the author on the 12 August 2020)

2 PNG ranks 176 out of 177 in the Gender Inequality Index, 2018, United Nations development Programme. <http://hdr.undp.org/en/content/gender-inequality-index-gii>

3 Gender Equality. Papua New Guinea. UNFPA. <https://png.unfpa.org/en/topics/gender-equality-12> (accessed on 14 August 2020).

4 Baseline report. Financial Literacy and Inclusion Project, 2018. World Vision. Data analysis done by the author.

5 Gender Assessment. PNG Caring for Nutrition Project and Financial Literacy and Inclusion Project, 2018. WV PNG.

6 The Productive Partnerships in Agriculture Project (PPAP) is a collaboration between World Bank and the Government of Papua New Guinea to support the development of the cocoa and coffee sub-sectors.

7 Centre for Excellence in Financial Inclusion. CEFI is endorsed by PNG's National Executive Council (NEC), as the industry apex organization for coordinating, advocating and monitoring all financial inclusion activities in PNG.



The project aimed to create a culture of savings, from children through to adults already participating in farming and other work.

## What is Savings for Transformation?

**Savings for Transformation (S4T)** has been used by WVPNG since 2013 to build financial and social capital in rural communities. S4T aims to improve well-being, resilience and economic empowerment, particularly for women and for 'unbanked' households.

S4T groups enable families to accumulate savings over time and access loans more easily, both of which lead to increased investment into livelihoods activities, more regular household cash flow, consumption of more and better food, improved shelter, meeting education and other expenses for children and more.

A communal social fund is available through the group for members to draw on if they face financial shocks, such as the loss or illness of a family member. S4T groups emphasise inclusion of women, especially in rural communities, and provide a critical engine for economic opportunity, social solidarity and safety net for many families in vulnerable situations through pooled funds.

## What is Resilient and Inclusive Social Enterprise?

**Resilient and Inclusive Social Enterprise (RISE)** is an innovative business training program designed by World Vision specifically for the Pacific and Timor-Leste region. It is targeted at the family or household level, and graduates community-scale social enterprises by using a series of tailored training 'streams'.

Each Stream supports business owners to develop and grow their business models, while also achieving greater social or community impact, improved gender norms, and disaster preparedness and risk reduction. FLIP delivered the first stream of RISE covering basics of financial literacy, savings and loans and cooperative marketing, with the PPAP project focused on developing demand and reputation for quality local products, especially cocoa.

## Evaluation methodology

As the project closed in June 2020, WV PNG commissioned an independent evaluation to draw strengths and next steps for inclusive financial services from the FLIP project. The evaluation used a mixed-methods approach, based on earlier (baseline) study in 2017, to ensure best possible comparability over time. Primary data included quantitative and qualitative data: a household survey of 888 interviews in three locations, plus 31 focus groups and 85 key informant interviews with participants ranging from S4T group leaders, current and former members (male and female), people with disability, youth, local authorities and project staff.

A similar sampling strategy was used for the baseline and endline surveys, which is a stratified, two-stage clustered sample proportionate to population size. The sample size was calculated based on statistical validity relative to the number of target households, using four strata: active S4T members in Bougainville, Madang and Sepik, and members who had exited their savings groups. The sample size in each stratum was calculated using the online Sample Size Calculator IndiKit, setting a 95% Confidence Interval and 5% Margin of Error. All changes and differences reported in this brief are statistically significant.

The evaluation notes one limitation to data, in that the data collection in Sepik and Bougainville was interrupted due to the COVID-19 outbreak. While the total sample was enough to allow an acceptable margin of error among active S4T members, this reduced the size of former S4T member interviews, limiting conclusions for this group.

## Findings

### Outcome 1: Improved saving practices among both women and men

Overall, take-up and performance of S4T groups has been excellent; 81% of 126 S4T groups remained active by the end of the project, and 72% of first year groups were entering their third cycle. Proportion of households with an account in a savings group or a financial institution increased from 33% at baseline to 97% at endline<sup>8</sup>.

With project-facilitated linkages between S4T groups and Peoples Micro Bank (PMB), the proportion of households using formal financial services (a bank account) increased from 28% to 53%. S4T group records showed an average saving per member of K180 (approx. AUD71), with the average amount similar for male and female members. However, the project did not achieve desired equity between women and men in their banking access; 62% of accounts were held by men only, 31% by women only and 7% jointly. More work is needed to shift the balance of formal economic participation towards women.

**“The project taught us to cut down on un-necessary spending and save more to meet the necessities of life. In the past, we spent a lot without any savings. But now, we can save since we received training.”**  
Key Holder of S4T in Veopet, Bougainville



FLIP’s design complemented other market-based development initiatives, focusing on economic participation, savings and financial access for communities involved in cocoa as an industry.

**“What really motivated us to form a group was the idea that our money will be saved in the village and that we will have direct and easy access to our money.”**  
Focus group participant, S4T, Tsumbar Madang

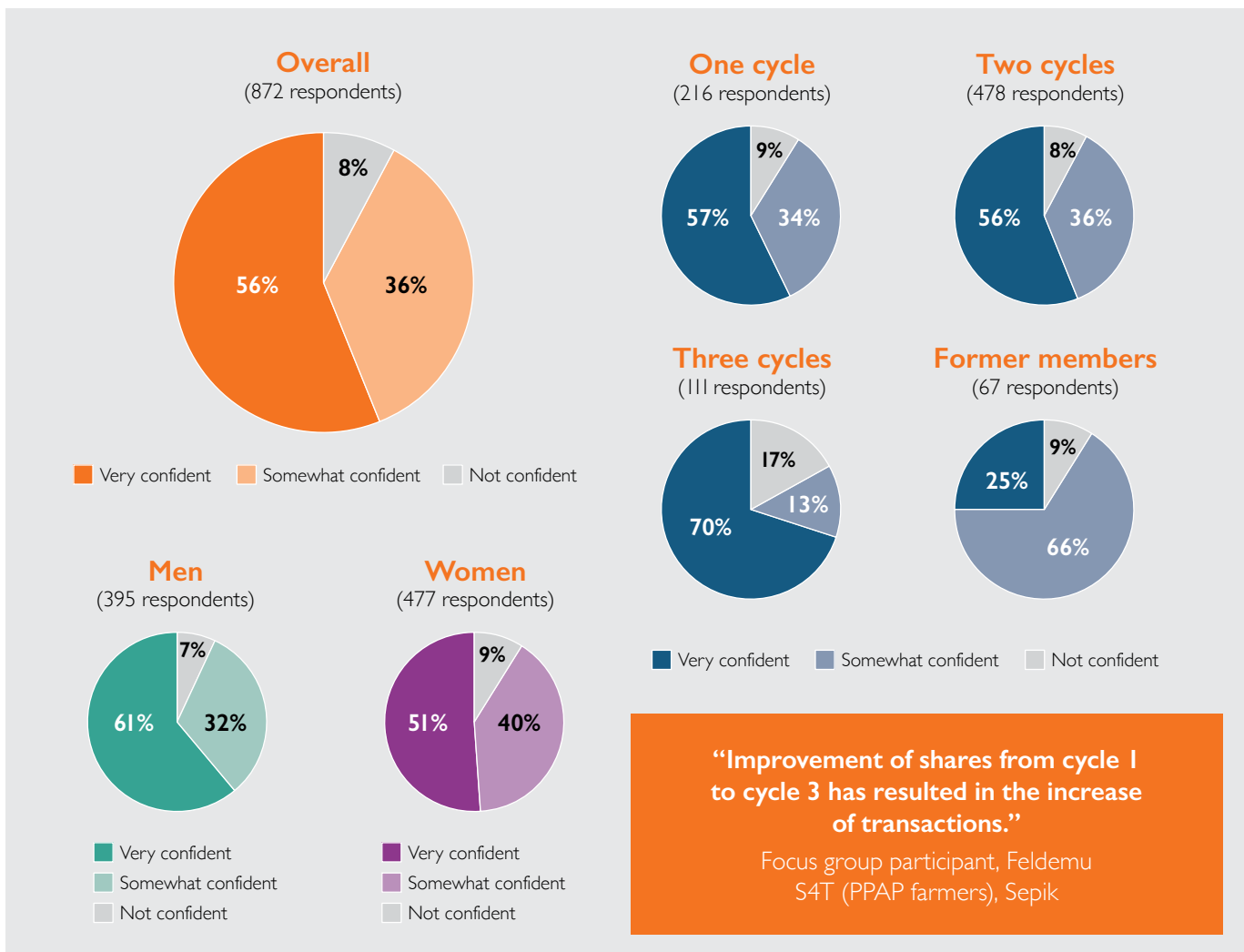
8 100% of the active S4T members had an account in the S4T group, but 54% of the exited S4T members kept an account outside the S4T group

## Outcome 2: Financial literacy of women and men increased

The evaluation found a substantial increase in the proportion of respondents feeling confident in their financial literacy (i.e. feeling 'somewhat' or 'very confident' in managing transactions, borrowing money, saving money), from 41% (F:32%; M:45%) at baseline up to 92% (F: 91%; M: 93%). While men remained more likely to feel 'very confident' than women, the gender gap overall had reduced significantly by project end. The highest scores were recorded among S4T group members in their third cycle. Members who received financial literacy training were more likely to feel confident than those who did not (respectively, 92% versus 83%), while those with training from more than one source (FLIP staff, PPAP, VSA) were also more likely to feel 'very confident' than those who received it from only one source (respectively, 64% versus 53%). Figure 1 below shows confidence levels measured overall, as well as by cycle and by gender<sup>9</sup>.

**“In cycle 1, members were not as serious in savings as compared to now in cycle 2.”**  
 Focus group participant, Urita S4T (PPAP farmers), Sepik

Figure 1: Comparison, participants reporting 'somewhat confident' to 'very confident' regarding their newly learned financial skills.



Survey respondents were asked if they had a goal for saving money, and if yes, how much they had progressed toward achieving that goal. Results were very encouraging. Of S4T group members, 85% had a savings goal; even among respondents who had exited their group, 58% had maintained a goal. Women and men were similarly likely to achieve or make progress towards their goal (F:69%; M: 64%), but women were significantly more likely than men to have achieved it (F:8%; M:4%). The goal itself should be considered alongside this finding. Focus group insights suggested, in general, men's goals were more ambitious and longer-term than women's. Interestingly, there is also evidence that participants significantly increased their savings capacity throughout the cycles, with 87% members in their third cycle achieving or making progress toward their goal (31% for exited members and 62% for those in their first cycle).

<sup>9</sup> Across disaggregation, the proportion reporting they were 'not confident' stayed relatively steady between 7 and 9%. This figure is not shown in the graphs.

### Outcome 3: Joint decision-making around agriculture and finances adopted by women and men

Questions on joint financial decision making were split between agriculture and income generation decisions and household decisions. **No significant increase** in joint decision making was found for agricultural and income generation between baseline and endline, and the ongoing discrepancy of results between women and men (F:38%; M: 50%) also shows gendered perceptions of how decisions are shared. Participants in both PPAP and FLIP did not show different trends from those only in FLIP, indicating shortfalls in both projects against intended economic empowerment outcomes for women.

For household expenditure, however, the evaluation found a **sharp increase of both women and men** declaring joint decision-making. These types of decisions were more relevant to what was taught during project training: learning how to save money and how to manage HH money for upcoming expenses. Many people interviewed believed that the project had a positive impact on how decisions are now taken in their families. However, recreational expenses remained dominated by men: for instance, expenditure on card games, bingo, tobacco, alcohol, all of which are customary men’s leisure activities.

**Table 1: Equitable economic decision making, households** (at least five of eight decision types are taken jointly)

	2017 Baseline	2020 Evaluation
Men reporting equitable decision making	38%	73%
Men’s average joint decisions (out of eight)	3.7	5.3
Women reporting equitable decision making	29%	69%
Women’s average joint decisions (out of eight)	2.6	4.9

**“Gender awareness conducted by the Project has given me confidence to speak during S4T meetings as well as making decisions for my S4T’s operations”.**  
 Female record keeper, Tsumbar S4T, Madang

**“The project has put a new dimension in the way decisions are made in our household and has really helped us in many ways in household decisions.”**  
 Female S4T member, Chakma, Madang



Women were able to start or expand their own small businesses using savings and loans.

# Results: did FLIP achieve its goals?

## Did financial access increase?

Yes. The proportion of respondents feeling very confident to get a loan in case of emergency more than doubled, for both women and men, by the end of the project (Table 2). However, indicators show progress towards, rather than full achievement of, this goal. While women and men had progressed towards a savings culture, overall by endline only 29% had re-invested savings and only 16% had taken a loan from the savings groups. The likelihood of using savings and loans increased with each S4T cycle. The most frequent reason for using savings or taking a loan was 'to invest in income generating activities' (49% of loan or savings users, 17% of the entire sample), alongside 'to pay for everyday items' (37%) and 'to pay for school needs' (32%). S4T group members who were also participating in the PPAP project were more likely to use S4T services, especially for investing in income generation (FLIP-PPAP: 54%; FLIP only: 39%). Consistent with other studies, this validates the important association between financial literacy and economic development.

Among those not taking loans, common reasons were: 'I didn't want a loan' (44%), 'I had no collateral' (28%), 'I didn't understand the terms to get a loan' (15%), 'I am not comfortable taking loans' (14%) or 'the size of loans is too small' (11%). Interviews revealed that some groups went against S4T guidelines, banning loans so that members could not use them for short term expenses to encourage longer-term goals.

## Did investment in child wellbeing improve?

Yes. The evaluation found evidence that Savings for Transformation supports child wellbeing (Table 2). Data showed significant improvement in caregiver ability to pay for children's education and health costs (more so for education than health), with similar results for men and women members, and improvement occurring in each province. Interviews found a clear link between financial literacy training content (good parenting and savings habits) and improved ability for households to care for their children in this way. A third indicator looked at the proportion of children under five receiving a minimum dietary diversity (MDD). A very significant increase was observed again at endline, for both boys and girls of different age groups and in each province.

## Did investment in productive activities improve?

Yes, though again, indicators show progress towards, rather than achievement of, sustainable inclusive productive activities. Rather than measuring direct investment, the evaluation considered capacity measures of **financial resilience**: the ability to obtain a loan should the need be urgent, and **status/self-confidence**: how people

felt about themselves now (Table 2). The proportion of people feeling 'very confident' to obtain a loan increased significantly, although a gap between male and female confidence remained. Households with a bank account continued to be most likely to feel very confident. The project's contribution to S4T and linkages with banks increased the number of households in this position. Of people who had actually faced an 'urgent need and shock', only 9% had turned to S4T savings or loans, though this proportion was much higher for members in their third cycle (41%). This indicates that the social protection advantage of savings groups builds over time. For those not using S4T savings and loans, most reported using other savings sources or the sale of crops, assets or livestock.

A majority of respondents declared that, since joining an S4T group, their **status had improved** both **within their family** and within their community at the same time, with similar results for men (67%) and women (66%) but significant differences depending on the group age. When asked about their **self-confidence** status, very similar scores were observed. Again, status and self-confidence builds with each S4T group cycle.

## Are the changes sustainable?

The project model was found to be sustainable because it was responding to a **clear demand for financial services**, particularly for savings. Results for women and their status as they became more financially active were also sufficiently strong to validate the model's gender equality intentions, though more is needed.

Most S4T groups (81%) were still active at the end of the project, and 72% of the groups formed in the first year had completed two full cycles and were in their third cycle. Economic activity increases with each cycle, together with members' self-confidence and self-esteem. In the last year, 23 groups opened a formal bank account for group savings, and nine additional groups were formed by Village Savings Agents or other community members without direct project support.

The evaluation noted S4T had a **positive effect on social cohesion** between the members, and also that S4T groups have a positive impact on the community. Successful S4T members were seen as role models. Some members – youth in particular – reduced negative spending patterns such as alcohol in order to save for a long-term goal.

The S4T social fund is integral to the model, to be reinvested in areas that benefit the community. Though 77% of active S4T groups had this in place by the end of the project, only two groups had disbursed funds. The evaluation suggested this may be because the average value of the fund remained too low to be useful to most groups.



**Table 2: Goal-level indicators**

*GOAL: Increased savings-led financial access and equitable decision making to improve rural households' investment in child well-being and productive activities*

<b>Financial access indicators</b>	<b>2017</b>	<b>2020</b>
<b>% respondents feeling 'very confident' to get a loan in case of emergency</b>		
Men	16%	51%
Women	9%	39%
Overall, without a bank account	7%	40%
Overall, with a bank account	29%	48%
<b>Child wellbeing indicators</b>	<b>2017</b>	<b>2020</b>
Households able to pay for their children's health costs	32%	44%
Households able to pay for their children's education costs	64%	89%
<b>Children with minimum dietary diversity</b>		
Boys under two	49%	82%
Girls under two	41%	77%
Boys under five	54%	80%
Girls under five	53%	81%
<b>Productivity indicators</b>	<b>2017</b>	<b>2020</b>
<b>% respondents who used S4T money to invest in income generation</b>		
Men		17%
Women		18%
One cycle		14%
Two cycles		5%
Three cycles		23%
Former members		19%
<b>% respondents reporting improved community status</b>		
Men		67%
Women		66%
One cycle		62%
Two cycles		72%
Three cycles		78%
Former members		22%
<b>% respondents reporting improved self confidence</b>		
Men		70%
Women		70%
One cycle		67%
Two cycles		75%
Three cycles		79%
Former members		25%



An important observation from the project is that confidence to save and borrow money increases by the third cycle; getting members to this point supports sustainability of the group and results for its members.

## Conclusions and recommendations

### On the overall value of FLIP to its participants, their families and communities, the evaluation found:

- ✓ **high reach and uptake**, equally for men and women, including on leadership level
- ✓ **increased financial literacy and financial inclusion**, with a significant **reduction of gender inequality**, although a gap persists
- ✓ **greatly increased savings** practices, but less in loan taking
- ✓ **improved gender equity** in household decision making, especially for household expenditures, but less for income generation decisions
- ✓ contribution to **increase** members' **self-confidence** and **social cohesion**
- ✓ **increased outcomes along with the S4T cycles**
- ✓ contribution to **reducing multi-dimensional poverty and to increased child well-being**, especially in covering education costs and dietary diversity

### The evaluation recommended the following, for World Vision and others working in inclusive economic development in Papua New Guinea:

- **Promote loans and their advantages more:** While increased saving was apparent, uptake of loans was low. Without growth from loans, S4Ts can reduce in value and ultimately fail. Specific, culturally sensitive guidance on taking loans should be included next time.
- **Strengthen social fund and urgent personal loans:** S4T groups need to make sure financial support in times of need is available as a benefit of membership. More investigation is also needed to understand why social funds are not being used.
- **Integrate savings groups, gender and income generation initiatives:** Using RISE in savings groups helped both women and men to step towards joint decision making in household finance, savings and loans. Next, S4T financial literacy training should also address equitable decision making regarding productive investments. Gender outcomes in economic development programming could also be strengthened if the training package includes messages on household equity and child wellbeing.
- **Localised, efficient scale-up:** Village Saving Agents as financial literacy trainers not only provided a local service but also increased demand for the service as people became aware of groups in their area. This should be the preferred approach to catalyse further S4T group expansion.
- **In this context, stay with groups beyond their first cycle:** Facing a low start point for savings and financial access, especially for women, a longer commitment to S4T groups could increase complexity of training over time, and improve individual and group confidence to formalise their financial access through banking.



The project measured results not only for participants in inclusive financial literacy, but also their families, especially children

## **When you commit to humanity amazing things can happen!**

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