
Moving from Unbanked to Banked: Evidence from the Money Smart Program

Dr. Angela Lyons
University of Illinois
April 8, 2005

All views expressed are those of the presenter and do not reflect the views or policies of the Federal Deposit Insurance Corporation (FDIC) or the views of other FDIC staff members.

Motivation

- Financial education programs have been created to empower the unbanked with financial knowledge and encourage them to enter “mainstream banking.”
- Very few programs have conducted effective evaluations to show whether or not these programs are “working.”
- More importantly, very few have been able to define what it means by program “success.”

Limited research suggests that these programs have had limited “success” in moving the unbanked into the financial mainstream.

Evaluation Process and Data

Key components of evaluation

- Pre and post-evaluation of participants
- Input from Money Smart Instructors
- Input from community bankers

338 program participants at select sites in Chicago

- Welfare-to-work participants
- Spanish-speaking immigrants
- Chinese immigrants
- Public housing residents in Chicago
- Continuing education students at community colleges

Diversity Among the Unbanked

Group 1:

Those who are in a financial position to open and maintain a healthy account, but do not have the knowledge needed to enter the system.

Group 2:

Those who are in a marginal position to open an account, but need the “right” product.

Group 3:

Those who are unable to open and maintain a healthy account regardless of knowledge and/or product.

Where Do We Go From Here?

- The best measure of program “success” may not be the number of accounts opened, but whether the program provides the unbanked with the financial skills and tools needed to make sound decisions given their financial circumstances.
- It is critical that financial providers identify unbanked participants who are in a financial position to open an account from those who are not.
- More targeted programming is needed with respect to financial education, mainstream services and products, AND alternative services and products.
- There is no “one size fits all” solution.