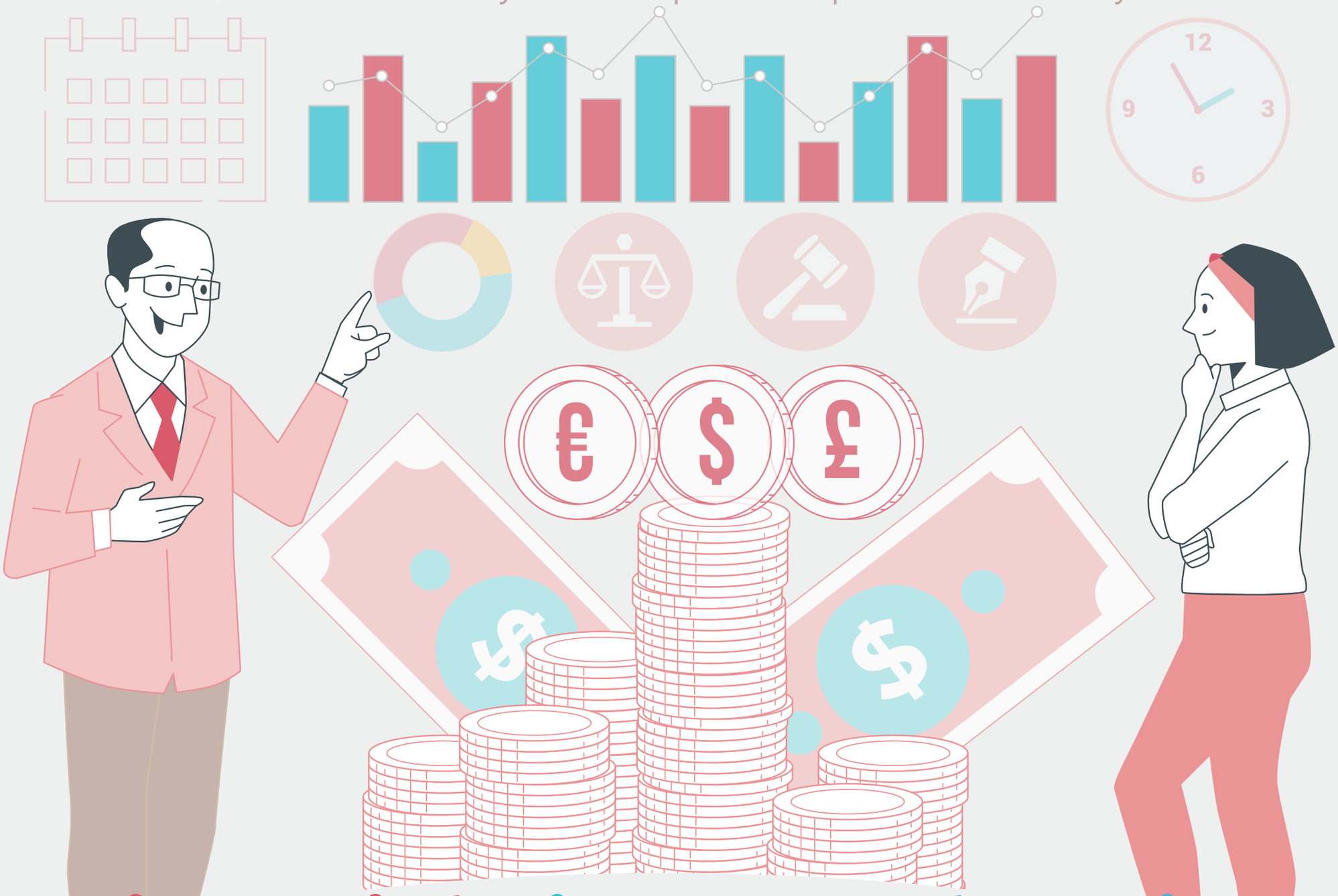
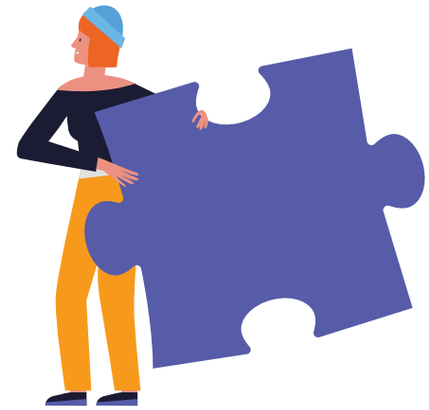
Youth Finance Academy

Basics of non-formal financial literacy education for youth entrepreneurship in the context of youth work



Financial Literacy Education

What's inside



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About this manual

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This learning manual focuses on a preliminary understanding and analysis of the implications of financial literacy on youth entrepreneurship as a starting point for developing and running impactful, sustainable social or business ventures. This manual serves as an introduction to financial literacy as a means to facilitate young entrepreneurs and youth workers to acquire, improve, or strengthen financial knowledge, skills, attitudes, and behaviours to achieve a greater state of financial capability and well-being from an entrepreneurial education perspective. The manual is structured and organised by sections. Each section seeks to respond to a set of learning objectives; precise measurable statements concerning the financial knowledge, skills, attitudes, and behaviours the reader or user develops because of engaging with the content of the manual. The manual overall learning goal is to facilitate the empowerment of young entrepreneurs in financial literacy, not only a means to take control over their finances and make-sound financial decisions, but also to expand and sustain impact of their social entrepreneurial ventures; being able to avoid the most predictable financial risks to an entrepreneurial venture.

This is because, in addition to needing a safe, accountable and transparent marketplace, young entrepreneurs need financial capability to navigate that marketplace effectively to serve their entrepreneurial goals: either profit making or social change, and thereby, be able to achieve their entrepreneurial impact. However, before diving into the theoretical and practical content of the manual, it is so important to stress that there is relatively few evidence-based research on the implications of financial literacy in youth work in the context of non-formal education. Hence, the manual aims at addressing this challenge by providing youth-friendly content on how financial literacy, when looked at from the perspective of a young entrepreneur, could be integrated and approached in youth education and training to support and guide youth workers' efforts to improve the effectiveness and quality of financial education, and thus improve young entrepreneurs' financial-decision making capability to achieve both financial-wellbeing and their entrepreneurial goals.

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SECTION-1.

Financial literacy for youth entrepreneurship

1.1. Introduction to financial literacy

Here, we start by answering what financial well-being is to form the basis for why financial literacy is such an important part of non-formal entrepreneurial education for youth entrepreneurship. In our youth work context, in order to reach the educational goal of facilitating the empowerment of young entrepreneurs in making better and informed financial decisions requires identifying the financial education methodologies that work within non-formal learning settings and then developing the most appropriate, dynamic and yet practical financial educational learning activities which are capable of improving young entrepreneurs' financial behaviour, not only in the marketplace, but also in their own lives in the way that helps them achieve their entrepreneurial goals; but not merely improving their knowledge of financial facts. Thus, this manual seeks to improve and strengthen young entrepreneurs' understanding of financial capability as one of the most relevant entrepreneurial assets to have. It further outlines how to apply financial literacy in youth entrepreneurship by providing practical content for practicing. At the end, the manual concludes by looking at the integration and application of financial literacy in youth education and training as a means to facilitate youth workers and youth organisations to acquire financial literacy capacity to research, plan, design, and deliver youth financial education programmes and activities.

The ultimate objective of this manual is to determine how to define and practice different financial literacy components in youth entrepreneurship from an initial phase of an entrepreneurial social and business venture up to the medium-term phase. The main learning objectives are to:

1. improve financial literacy awareness, knowledge, skills, attitudes, and behaviours among youth entrepreneurs and youth workers.
2. improve youth entrepreneurs' financial capability to seek, analyse, and understand basic information about financial instruments and/or financial products.
3. strengthen financial decision-making capacities and strategies among youth entrepreneurs.
4. strengthen financial literacy training and financial education capacity among youth workers and youth organisations.

Looking at financial literacy for youth entrepreneurship from these objectives is important and forms the foundation of this manual. Though in recent years there has been a growing consensus in the field of youth education and training that financial literacy efforts should be improved and recognised to reach the most desirable state of financial well-being among youth, there are inconsistencies on how financial well-being is understood and defined due to a lack of a standard approach to measure it. Indeed, before aiming for youth financial literacy, there is a need to understand why being financially literate is important in youth's life; especially, in the lives of youth entrepreneurs. Another problem is that current literature or any attempts to improve youth financial well-being, paints a picture of complex interactions between financial knowledge, know-how and the actions taken that should only be understood by the so-called financial experts, and thus, youth should fear it since they are all deemed not having the expertise nor the experiences to wisely use their own money. To correct this misconception, here, we provide a youth-friendly conceptual framework for understanding financial well-being, and insights into factors that contribute to a greater state of financial well-being before making any attempts to look into the how of financial literacy.

This conceptual framework states that the ultimate objective of the whats and the whys of financial literacy is facilitating an individual to achieve a greater state of financial well-being. In our youth work context, we describe financial literacy as the ability of an individual to obtain, process, and evaluate the information that is required to make wiser decisions to secure a financial future as best as possible. So herein, financial literacy denotes an individual's knowledge, skills, attitude and behaviour about money, personal finances, financial options, and the capacities to use such financial knowledge, skills, attitude, and behaviour to make informed and sound decisions concerning the use of money and management of personal finances. Thus, financial literacy is a combination of awareness, knowledge, skills, attitude, and behaviour necessary to make wiser financial decisions and to ultimately meet an individual's financial psychology and capability that facilitate the individual to achieving a greater state of financial well-being.

Financial psychology encompasses practices related to managing one's personal finances, and draws heavily from areas of developmental, social, cognitive, and consumer psychology. The individual side focuses on how one makes decisions about saving, spending, or investing. From

a purely economic perspective, there is always the most advantageous financial decision. But this is not always chosen as we are influenced into decisions by others (social psychology), we have expectations of what we want our lives to look like (developmental psychology), and we have biases in our decision making (cognitive psychology). So, such psychological variables may lead one away from the most advantageous financial decision when considering how to save, spend, or invest money.

Financial capability is one's ability to use knowledge, skills, attitude, and behaviour to manage their financial resources effectively for a lifetime of financial security and recognises that financial literacy requires the ability and the capacity to use financial information and resources to achieve and maintain financial well-being. Thus, in our conceptual framework for understanding financial well-being, financial capability is the component of financial literacy that assesses and measures the degree at which an individual understands key financial concepts and possesses the ability, the capacity, and the confidence to manage personal finances through appropriate, short-term decision-making and sound long-term financial planning, while being mindful of life events and the changing economic conditions.

Thus, looking at the whats and the whys of financial literacy from our conceptual framework for understanding financial well-being, then financial literacy entails reaching financial capability as measurement of one's financial knowledge and one's application of financial skills, attitudes, and behaviours to make sound financial decisions in the pursuit of financial well-being. Thus, through financial capability, one's financial literacy is measurable because it is directly linked to the financial decisions one makes, including borrowing, saving, and spending patterns. So, the most relevant monitoring and evaluation component of financial literacy to measure the state and the success of financial psychology and financial well-being of the individual is their own exhibited level of financial capability.

Hence, using such a conceptual framework helps to formally define financial well-being in a manner that allows it to be quantified based on an individual's financial capability. It moreover helps to identify the specific types of financial knowledge, skills, attitudes, and behaviours that contribute to financial well-being, and which help youth entrepreneurs effectively navigate financial risks, and ups and downs on their entrepreneurial journey. This is an important area of inquiry because it not only helps identify which financial capability tools, habits, skills, and behaviour that are relevant for a youth entrepreneur to achieve a greater level of financial well-being, but it further reveals which intermediate outcomes a financial educational programme should rely on to assess and evaluate the success of a youth entrepreneur's exhibited financial capability. Thus, which intermediate outcomes tend to precede real improvement in a youth entrepreneur's financial well-being after attending or participating in a financial education training? To address that, we try to answer these questions:

1. What is financial well-being; what behaviours contribute to it; and what knowledge, skills, and attitudes support those behaviours?
2. How are financial awareness, knowledge, skills, and attitudes translated into the financial capability that supports the financial behaviours that contribute to a greater state of financial well-being?

1.2. Financial well-being

Looking this from our conceptual framework for understanding financial well-being in youth entrepreneurship, then financial well-being can be defined as a state of being whereat *an individual can fully meet their current and ongoing financial obligations; feels secure about their financial future; and is able to make the choices that allow the enjoyment of life.* Financial well-being is not static, it is described as a continuum ranging from severe financial stress to one being highly satisfied with their own financial situation, but not strictly aligned with one's income level. Thus, through learning efforts, and given reasonable opportunity and supports, any person, and for that matter, any youth entrepreneur can move along this continuum through financial literacy to a greater state of financial well-being where:

1. A youth entrepreneur has control over day-to-day, month-to-month finances.
2. A youth entrepreneur has the capacity to assess a risk and absorb a financial shock.
3. A youth entrepreneur is on track to meet both their entrepreneurial and financial goals.
4. A youth entrepreneur has the financial freedom to make the choices that allow him or her to enjoy life.

To make sense of these pillars of financial well-being, we tried to connect them though a time-frame dimension: The first and the fourth pillars pertain mainly to a youth entrepreneur present situation. Whereas the second and the third pillars pertain to securing the future, as shown in table 1.

Table-1. Pillars of financial well-being

	PRESENT	FUTURE
SECURITY	Control over day-to-day, month-to-month finances: • It means that an entrepreneur feels more in control of their day-to-day financial life. They manage their finances; their finances do not manage them. They can cover expenses and pay bills on time, and do not worry about having enough money to get by.	Capacity to assess a risk and absorb a financial shock: • It means that an entrepreneur has the capacity to assess financial risks and absorb a financial shock. The combination of factors such as running an impactful, sustainable venture, personal savings, or holding insurance help to cope with unforeseen financial challenges
FREEDOM OF CHOICE	Financial freedom to make the choices that allow one enjoy life: • It means that an entrepreneur can make choices that allow him or her to enjoy life. That is, a young entrepreneur can afford "wants" such as being able to go out to dinner or take a vacation, in addition to meeting their "needs" and they are able to make choices such as to be generous toward their friends, or family, and aim to make a positive impact on the broad community.	On track to meet entrepreneurial and financial goals: • It means that an entrepreneur is on track to meet both their entrepreneurial and financial goals. They have formal or informal entrepreneurial strategy, financial system, and an impact measurement plan that allow them to actively work toward achieving their goals such as saving to buy a car or home, paying off loans, or saving for retirement.

Even if people value different things, traditional measures such as income or net worth, though important, they do not necessarily fully capture the fourth pillar of financial well-being, but they all require a greater state of financial psychology to maintain them over time. That is, looking at one's habits or behaviours towards learning about money and using, saving, spending, and investing money. So, to identify the specific type of knowledge, behaviour, and skills that can facilitate a youth entrepreneur to achieve a greater state of financial well-being, we begin by looking at financial behaviours that, given the customers current unmet needs, unfulfilled gaps, and the available opportunities, can be leveraged for the youth entrepreneur to reach a greater state of financial well-being. This is so important because structural opportunities such as economic context, personal wealth, connections, access to education, and geographic location play a major role in financial well-being. That is to say, in one way or the other, a youth entrepreneur's behaviours must interact with the customer's unmet needs, unfulfilled gaps, and a series of opportunities to develop a level of financial capability and behaviours that contributes to financial well-being. Though this requires a set of financial knowledge and skills that must support those behaviours, it is also important to recognise the existence and influence of factors such as one's decision-making skills, personal attitude, non-cognitive skills, and personality traits that appear to also be supporting those behaviours.

1.3. Financial behaviour

Herein, we will focus on four types of behaviours that support and contribute to financial well-being.

2.3.1. Behaviours related to effective, routine money management

Though the ability of an entrepreneur to make conscious financial decisions is a key factor in achieving a higher level of financial well-being, it often happens that youth entrepreneurs rely on unconscious decision-making strategies to navigate their day-to-day finances. So effective routine money management encompasses two relevant financial and entrepreneurial habits:

1. Managing the money that goes out: living within means; and
2. Managing the money that comes in: having enough income to cover needs.

A. Habits related to living within means:

1. The ability of an entrepreneur to be frugal or cheap. Frugality is a learnable lifestyle skill that organises one's financial behaviours around a central focus of being disciplined, consciously choosing to spend money wisely and relying on budgeting to differentiate between needs and wants as a simple binary approach to prioritising spending.
2. The ability of an entrepreneur to maintain an intentional lifestyle. Being content with what one has or dismissing the allure of a free-spending lifestyle, is one way to achieve financial well-being. The focus is on contentment rather than on sacrifice as with frugality.
3. Using credit cards prudently if any. Focusing on the importance of managing resources effectively, many argue that credit card debt is a symptom of failure, a behaviour revealing an inability to plan.

B. Habits related to maintaining income:

1. One of the most drivers of financial well-being is running an impactful, and yet sustainable entrepreneurial venture.
2. Often in the initial phase of a venture one can spend what it takes to run the venture. That is, spending more without making any substantial income over time, which might come in addition to providing for them or their family. In some cases, this means taking loans that one would not normally take to secure money to cover expenses which can misleadingly be argued as being entrepreneurial and taking risks.
3. Such a focus on making money without consciously relying on the budget or focusing on expenditure vs income, indicates unlearned skills or low behaviour level due to lack of access to financial education.

2.3.2. Behaviours related to financial awareness and knowledge-seeking

During research survey on financial literacy and youth entrepreneurship, when the youth entrepreneurs were asked who they consult when faced with financial questions, they responded that personal experience or seeking information from their team members, family, or friends helped them. Moreover, they responded that observing and learning from positive and negative examples of behaviours from those around them helped them to understand the importance of learning from setbacks, mistakes, or failures. Hence, keeping to these answers; the behaviours of youth entrepreneurs related to financial awareness and knowledge-seeking could be categorised as:

1. Relying on team members, family, friends for knowledge: team members are a valuable source of financial knowledge as they can offer a different perspective and serve as a trusted sounding board. Family members like parents are helpful as they are trusted, understand their children's situations, and can thus provide valuable financial guidance. Informal conversations and exchange with friends are often used as sounding boards to feel more confident that one is doing the right sorts of things and making the best choices.
2. Relying on personal experience and examples from others: commonly, one of the best assets of an entrepreneur is understanding the importance of searching, creating, or using the opportunities that are available to them within community. This can be as simple as using those around them as resources such as gaining knowledge from observing mistakes of other entrepreneurs or seeking out information when it comes to time to make plans for investing, saving strategies, or scaling impact, etc.
3. Doing formal, informal financial research: this can mean different things to different entrepreneurs as some might assume that doing market research is enough but doing formal or informal financial research such as studying a topic or looking it up, is important. It helps seek out information and then evaluate its fit for one's situation, and it opens opportunities to further reach out to a financial practitioner either as a source of knowledge or to use as a sounding board since one has already some ideas and notions about the topic.
4. Getting education and training as a pathway to financial literacy: in addition to its other benefits, access to education and training, even when not explicitly financial in content, is a great tool for achieving financial well-being. For example, media and information literacy provides knowledge including digital skills and knowledge about how to do research, seek, and evaluate information that allows one to make better and informed financial decisions. Indicators such as access to education and training from an earlier age, have proven to be highly correlated with positive financial behaviours and outcomes among youth entrepreneurs.

2.3.3. Behaviours related to financial goal setting and planning

Another important asset successful entrepreneurs have is being future oriented to achieve financial well-being. Future orientation manifests itself in behaviours such as planning, goal setting, budgeting, sales projections, or forecasts. These behaviours are associated with an array of positive financial outcomes:

1. Budgeting: using any form of budget is impart not only for the venture's sake, but also for making unforeseen financial decisions and this can vary; from very short-term, week-to-week budgets to a longer time horizon based on the stage and the type of the venture. Having a budget makes one feel more secure because it gives something against which to track where the money goes and comes from, even when one does not actually have advanced money-management skills; having a budget, and knowing how to create and analyse it, go a long way.

2. Having financial goals: the importance of having a financial goal shows a strength in financial behaviours such as saving or creating a budget. A financial goal means many things to different entrepreneurs; from setting long-term goals such as having a secure retirement or paying off mortgage; to shorter-term goals such as paying off credit card debt, traveling, or buying a new equipment. Though financial goals seem to affect behaviours; to feel both realistic and attainable within means and by maintaining income, depends on the kinds of financial strategies that are adopted, how well the context is considered, and whether the goal focuses on a need or a want.

3. Having a financial plan: the importance of having financial plan to manage a venture's spending in a long-term perspective is seen as encompassing the strategies and behaviours an entrepreneur uses to achieve both their entrepreneurial and financial goals. That is, a financial plan requires having realistic and attainable financial and entrepreneurial goals. To differentiate financial plans from budgets; a budget is then seen more as an immediate tool to keep spending habits in line with a financial plan.

4. Education and training as a financial plan: one of the best things one can do for oneself at any time in life to achieve a greater state of financial well-being is to claim their right and access to education and training. That is, the ability to become a more successful entrepreneur positively correlates to one's level of education and training. Education and training open doors to many skills such as grants application, project management, digital skills, understanding the tax system, federal laws, etc. which all contribute to managing and running an impactful, sustainable venture. This is not ignoring that for youth without access to non-formal training and in the context where there is a high cost to education, taking out student loans negatively affects their entrepreneurial aspirations and state of financial well-being.

2.3.4. Behaviours related to following through on decisions and intentions

Financial goal and plan are very important. Indeed, one cannot take a decision without a goal or plan. So, decision-making is about aiming to adopt a strategy to achieve a goal, plan, altering behaviour and successfully executing the strategy with intention. So, understanding this approach becomes important as it often happens that one fails after embarking on a plan without critically thinking about the what, the why, and the how of the plan. So, by gathering reliable information, and fully comprehending the ramifications of a financial plan, only then can one reach a logical, well-intentioned, informed financial decision based on practical behaviours:

1. Saving: successful entrepreneurs certainly understand the importance of saving and insurance as a means of securing the future of their ventures and protecting against unforeseen expenses, risks, or problems. Saving is indeed a conscious decision, a daily activity, which if well practiced by entrepreneurs, encompasses several execution skills, and rigorously followed habits chosen according to the circumstances, venture type, and budget. Budgeting is an important saving strategy, but it requires following through on intentions to turn the budget into money saved.

2. Investing: in youth entrepreneurship investing is critical to achieving both an entrepreneurial and financial goal in a short- and long-term perspective and is thus a key ingredient in securing a venture's financial future. Investing in a new venture, start-up, or business encompasses market research, critical thinking, and execution skills to think more strategically about the customers' unmet needs and unfilled gaps, competition in market, available opportunities to decide whether it is worth spending money by investing in a new venture or not.

1.4. Financial knowledge and skills

The focus herein is on trying to understand what kind of knowledge is most likely to influence one's financial behaviours and then, how it does so; by reviewing the connection between knowledge and behaviours in the field of financial literacy and youth entrepreneurship. To better form our understanding, we asked survey respondents to share with us *the most valuable financial lessons they learned by running entrepreneurial ventures; what behaviours had proven the most helpful in their financial decision-making; and what knowledge they considered the most important to have.*

> The first key finding in these areas was that factual financial knowledge in itself is not sufficient to drive behaviour or behavioural change as the link between one knowledge and behaviour is always mediated by individual attribute such as one's attitudes, one's non-cognitive and cognitive skills, and the context in which a decision is made, or an action is taken.

Even when one possesses knowledge of a financial topic in nature, whether that knowledge is processed in such a way as to inform behaviours would depend on a few different intermediary factors: such as personal efficacy; one's perception of what is appropriate; one's confidence towards the contemplated behaviour; and one's intention. That is, even though the knowledge might exist, its use; is in one way or the other affected by an individual's behaviour and attribute, and the decision-making circumstances as both the context and structural opportunities influence individual choices. So, this highlights another important component of financial literacy that focuses on knowing how to do things in a particular context rather than only possessing the knowledge of particular facts. Fundamentally, it is a component that entails the concept of skills or capacity of knowing how to do things, not just knowing what they are.

So, if we apply this hypothesis to the financial knowledge domain, the type of actionable, practical knowledge that is most likely to support or predict financial behaviours that are supportive of one's financial well-being is thus a set of skills called financial ability. We can form a common understanding on the notion of financial ability: that in addition to the knowledge component, financial literacy has an action component; the ability or the skills to apply or to put financial knowledge to use.

1.5. Financial attitude

An individual attitude, non-cognitive skills, and personality traits are hereinafter referred to collectively as personal attitude, which influence behaviours directly and play a role in mediating the connection between financial knowledge, skills, and behaviours. These might include, for example, whether a person is driven, is a planner, is a materialistic, or possesses grit.

These personal traits influence one's financial attitude that in return does mediate the transmission of financial factual knowledge and know-how into the financial behaviours that support financial well-being through:

1. Perseverance: Drive, grit, and hardworking, which are referred to together as perseverance, is a term used to refer to complex attributes that may, in combination with other aspects of one's personality and habits, define highly motivated entrepreneurs.

2. Executive functioning: A set of mental operations involved in saving, self-control, planning, focus, not being impulsive, and managing risks. For example, having a plan for coping with unforeseen risks or financial shocks, being future-oriented, living within means and income, saving, spending on needs rather than wants are critical to achieving financial well-being. Further, assessing financial risks, and figuring out how to balance those risks is another important aspect of executive function; recognising that financial behaviours such as investing in a new start-up that are indeed inherently risky, but nonetheless considered them important to achieving a state of financial well-being.

3. Financial self-efficacy: Self-efficacy describes one's confidence in their ability to influence a venture's outcomes. In the context of financial behaviour, it means confidence in an entrepreneur's ability to manage finances without being overwhelmed, including the perception of their own ability to achieve their entrepreneurial and financial goals, or sticking to a spending plan. This exhibits an internal locus of control, meaning a belief that one can influence their own life outcomes, which underpins one's belief in their ability to complete financial tasks, be more likely to act on their financial capability and behaviours, for example, starting a new business or investing in the stock market.

1.6. Financial capability

So far, we have built a common understanding that the financial knowledge, skills, and attitudes components of financial literacy are what support financial behaviours that contribute to a greater state of financial well-being. Here, we look into how when those components come together are used to make better, wiser, informed financial decisions with the goal of strengthening youth entrepreneurs' financial decision-making capacity. This entails financial capability that captures and relies heavily on the skills component that is understood to be a key component of financial literacy. This is not to say that financial-specific knowledge is not needed by entrepreneurs in specific situations or to carry out financial tasks: indeed, both the knowledge and attitudes components are relevant for the skills component to function. The point is rather that financial specific knowledge per se is not a comprehensive indicator of financial capability for entrepreneurs in all situations and at all venture's stages. Financial capability is conceptualised as a set of skills, knowledge, attitudes which heavily support financial behaviours that contribute to financial well-being and encompasses:

1. The ability to seek out and to find reliable information to make a financial decision;
2. The ability to process that financial information to make sound financial decisions; and
3. The ability to execute financial decisions, including monitoring, evaluation, and adapting as necessary to stay on track.

That is, to become a successful entrepreneur requires having a strong financial capability to know where to start looking for the information that is needed to make financial decisions, whether that information is advice from an experienced team member, a friend, or an investment advisor. Once the financial information has been obtained, it requires critical thinking and financial skills to know how to process it. For example, knowing how to run numbers to figure out which loan, grants, funds, or budget would work best to invest in a new start-up. And finally, knowing how to execute and stick to financial plans in the longer term, through monitoring, impact measurement, and plan adjustments as necessary. Therefore, accomplishing a goal or other desired behaviour is rarely a matter of just wanting to do it, it rather a matter of knowing how to get oneself to do it. That is, neither information, knowledge, deciding, planning, nor being on the course of an action are alone sufficient to succeed in a task. Beyond that, there are immense human challenges of following through with the next step and the next, and overcoming such challenges is a skill, a skill like any other that requires learning, mastering. Such dual elements of knowledge and action is what we are aiming hereinafter; empowering youth entrepreneurs in making better, informed financial decisions. This is because the financial capability to make the desired choices repeatedly is critical in youth entrepreneurship, and requires learning and discipline: behaving frugally, actively adhering to the budget and the plan, saving, investing, resisting impulsive purchases or lifestyle-related temptations or simple wants.

A. What influences financial capability

The question is rather, how does one develop the financial skills and expertise they need to manage and run impactful and sustainable ventures? Currently, there is no straight answer as many argue that schools, from primary through high schools to university, should emphasise on financial education to a greater extent. But without such an emphasis in the current formal education systems, young adults often lack the financial ability they need to succeed in life. Looking at the survey results from our research, youth entrepreneurs responded that their own experiences or other modes of non-formal learning influence their level of financial capability. Instead of formal financial education, they placed a major emphasis on non-formal financial learning, social contexts, and personal networks in providing experiential learning that promotes familiarity with and confidence in key financial skills and behaviours.

1. Non-formal learning is the most important source of learning practical financial ability. Starting from an earlier age in life; e.g., observing one's parents navigating their financial lives deeply informs how one would navigate their financial life: one absorbs not only financial facts, but also behaviours, skills, and contextual cultural norms about money. The added value of non-formal learning is in its ability to expose one to different realities that reduces the likelihood of following in their parents' financial footsteps. In the context of informal learning only, upbringing can teach and reinforce bad behaviours just as easily as good behaviours.
2. Personal experience or the experience of the persons in one's networks or broader social contexts provide an opportunity to increase financial ability through experiential learning, particularly learning from one's mistakes or from other people's mistakes in their networks.

SECTION-2.

Embarking on an entrepreneurial journey

2.1. Financial instruments

Herein, we highlight the importance of having or understanding information about financial instruments as a youth entrepreneur. Idealy, being aware of and knowing this information does not only help one to be aware of financial instruments, but it also provides insight into various risks related to financial assets and financial liabilities including the exposure to the risks arising from them to entities and how they could be managed. Such information goes a long way in influencing youth entrepreneur's assessment of financial position and financial performance of an entrepreneurial venture and provides insight into the amount, the timing, or uncertainties of an entrepreneurial venture's future cash flow. So, the extent and the nature of financial instruments vary significantly from those entities with few financial instruments; for example, a governmental department whose only financial instruments are accounts receivable and accounts payable; and those entities with many and more complex financial instruments; for example, the financial institutions whose assets and liabilities are comprised mostly of financial instruments.

So, what exactly is a financial instrument:

A financial instrument is here defined as a contract between individuals or parties that holds a monetary value. It can either be created, traded, settled, and modified as per involved parties' requirements. In simple words, any asset which holds capital and can be traded in the market is referred to as a financial instrument.

To summarise all that that:

1. Financial Instrument: any contract that gives rise to both a financial asset of one entity and a financial liability / equity instrument of another entity.

A financial instrument is a financial contract between two or more parties. It is a document that represents an asset to one party and a liability to another. It carries financial value and represents a legally binding agreement between two or more parties. Financial instruments can be real or virtual documents representing a legal contract involving a kind of monetary value.

2. Financial Asset: cash, equity instrument, a contractual right to receive a financial asset or exchange a financial asset or liability or a contract that may be settled in an entity's own equity instruments. A financial asset is any asset that is:

a. Cash:

(i). Currency (or cash) is a financial asset because it represents the medium of exchange and is therefore the basis on which all the transactions are measured and recognised in financial statements.

(ii). A deposit of cash with a bank or similar financial institution is a financial asset because it represents the contractual right of the depositor to obtain cash from the institution or to draw a check or similar instrument against the balance in favour of a creditor in payment of a financial liability.

b. An equity instrument of another entity.

c. A contractual right:

(i). To receive cash and/or another financial asset from another entity; or

(ii). To exchange financial assets and/or financial liabilities with another entity under conditions that are potentially favourable to the entity.

d. A contract that will or may be settled in the entity's own equity instruments and is:

(i). A non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments.

(ii). A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

e. Financial assets representing a contractual right to receive cash in the future can be:

(i). Cash and cash equivalents.

(ii). Accounts receivable.

(iii). Loans receivable.

(iv). Equity securities.

(v). Bonds receivable.

For example:

- Cash and cash equivalents are financial assets. To be considered cash, the cash needs to be on hand or in the bank. Cash equivalents need to be highly liquid investments which are short term; 3 months or shorter.
- Accounts receivable are amounts receivable from the provision of goods and services.
- Loans receivable are amounts owed from lending of cash and cash equivalents.
- Investment securities are securities issued by other entities such as shares, bonds and other investment products that are purchased with the intention of obtaining an economic benefit either from capital appreciation of the security product or from interest or dividends paid from the security issuer.

3. Financial Liability: a contractual obligation to deliver cash and/or other financial assets or exchange financial assets or financial liabilities, or a contract that may be settled in the entity's own equity instruments. A financial liability is any liability that is:

a. A contractual obligation:

(i). to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

b. A contract that will or may be settled in the entity's own equity instruments and is:

(i). A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or

(ii). A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

c. Financial liabilities representing contractual obligations to deliver cash or another financial asset to another entity in the future can be:

(i). Accounts payable.

(ii). Notes payable.

(iii). Loans payable.

(iv). Bonds payable.

For example:

- Accounts payable are amounts owed to third parties from purchases of supplies and materials required for operations and activities.
- Loans and notes payable are amounts owed from borrowing arrangements.
- Bonds are fixed income securities, which allow entities to borrow capital for a fixed period, with specified payment terms and interest payment terms.

Hereinafter, we only focus on building a better understanding of what financial assets and financial liabilities are, some examples are then provided. The list of items used herein is not an exhaustive one, but it includes examples that give the basic information about assets and liabilities since our goal is not covering all about financial instruments. It is also important to note that, assets and liabilities arise out of both contractual and non-contractual arrangements. However, assets and liabilities arising out of non-contractual arrangements do not meet the definition of a financial asset or a financial liability.

- Physical assets such as inventories, property, plant, and equipment, leased assets, and intangible assets such as patents and trademarks are not financial assets.
- Prepaid assets are not financial assets because they represent economic benefits in the form of future receipt of goods or services.
- Constructive obligations do not arise from contracts and therefore do not meet the definition of financial liabilities.

4. Equity Instrument: Any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

a. It is a document that acts as legal evidence of proof of ownership rights, such as share certificates in a company or firm.

b. Entities that rely on shareholders to fund their operations require

equity instruments to act, to fund operations, and provide proof of ownership.

5. Fair value: the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in transaction.

6. Derivative: a financial security with a value that is reliant upon, or derived from, an underlying asset or group of assets, a benchmark.

a. A derivative itself is a contract between two or more parties, and it derives its price from fluctuations in the underlying asset.

b. The common underlying assets for derivatives are stocks, bonds, commodities, currencies, interest rates, market indexes.

7. Liquidity: refers to how easily an asset can be converted into cash. So, cash is the most liquid asset.

a. Investments like stocks and bonds are highly liquid since they can be converted to cash within days, and thus, often referred to as liquid assets.

b. Large assets such as property, plant, or equipment are not as easily converted to cash. For example, selling a land may take weeks or months to liquidate it, making it less liquid.

2.1.1. Recognition and derecognition

A financial asset or liability is recognised when an entity becomes a party to a contractual arrangement which is a financial instrument. Whereas a financial asset or liability is derecognised when the contractual rights expire, are waived, transferred. discharged, or cancelled.

- Cumulative gain or loss recognised in surplus or deficit. Derecognition of a financial asset.
- Difference between carrying amount and consideration paid recognised in surplus or deficit. Derecognition of a financial liability.

For example:

1. Receivables and payables are recognised as assets or liabilities when the entity becomes a party to a contract, and consequently, has a legal right to receive or a legal obligation to pay cash when goods and services have been shipped, delivered, or rendered.
2. A forward contract is recognised as an asset or liability on the commitment date, rather than on the date on which settlement takes place.
3. Debt is recognised when issued and it is derecognised when exchanged or repaid.

Derecognition is the removal of a previously recognised financial asset and/or financial liability from an entity's statement of financial position.

An entity de-recognises a financial asset when: The contractual rights to the cash flows from the financial asset expire or are waived; or It transfers the contractual rights to receive the cash flows of the financial asset and the transfer qualifies for derecognition.

A transfer qualifies for derecognition if, and only if, an entity: Transfers the contractual rights to receive the cash flows of the financial asset; or Retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

On derecognition of a financial asset in its entirety, the difference between:

1. The carrying amount; and
2. The sum of:
   - the consideration received, including any new asset obtained less any new liability assumed, and
   - any cumulative gain or loss that had been recognised directly in net assets/equity; are recognised in surplus or deficit. A cumulative gain or loss that had been recognised in net assets/equity is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts.

An entity removes a financial liability or a part of a financial liability from its statement of financial position when, and only when, it is extinguished. When the obligations specified in the contract are discharged, waived, cancelled, or expires.

A financial liability or part of it, is extinguished when the debtor either: Discharges the liability or part of it, by paying the creditor, normally with

cash, other financial assets, goods, or services; or it is legally released from primary responsibility for the liability or part of it, either by process of law or by the creditor. If the debtor has given a guarantee this condition may still be met.

2.1.2. Trade date and settlement date

This is the regular way purchases of financial assets can be recognised at trade date or settlement date; except for derivatives which are always recognised on trade date.

- Trade date is the date on which an entity commits to purchase or sell an asset.
- Settlement date is the date on which the asset is delivered to, or by, the entity.

Regular way purchases or sales (or derecognition) of a financial asset is done using either trade date or settlement date accounting.

1. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.
2. Regular way purchases of financial assets can be recognised using trade or settlement date accounting, while derivatives are always recognised using trade date accounting.

Trade date accounting refers to:

- the recognition of an asset to be received and the liability to pay for it on the trade date, and
- derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to:

- the recognition of an asset on the day it is received by the entity, and
- the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the entity.

For example:

On December 29, 2021, an entity commits itself to purchase a bond for settlement on January 4, 2022. The fair value of the bond on trade (commitment date) is $ 1,000. On the settlement date the fair value of the asset is $ 1,003. The entity, depending on the classification of the investment, may have a choice between using the trade date value or the settlement date value.

The choice is an accounting policy issue and may have accounting implications. The method used is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets. This is because the interest generally does not start to accrue on the asset and corresponding liability until the settlement date, when title passes.

- When settlement date accounting is applied, an entity may have to account for any change in the fair value of the asset to be received during the period between the trade date and the settlement date depending upon the financial instrument and its classification.
- E.g., the change in value is not recognised for assets carried at cost or amortised cost; it is recognised in surplus or deficit for assets classified as financial assets at fair value through surplus or deficit; and it is recognised in net assets/equity for assets classified as available for sale.

2.2. Financial contracts

A financial contract is an agreement between two or more parties that has and bears clear economic consequences that parties have little, if any, discretion to avoid, usually because the agreement is enforceable by law. Hence, contracts, and thus financial instruments, may take a variety of forms and they do not need to always be in writing.

1. Entities may enter arrangements that have the substance of contracts. Their Application Guidance explains the factors an entity should consider in assessing whether an arrangement is contractual or non-contractual.
2. An entity considers the substance rather than the legal form of an arrangement in determining whether it is a contract that meets the definition of a financial instrument.
3. In each case, one party's obligation to deliver cash or another financial asset is matched by contractual right of another party to receive cash.

4. One entity's contractual right to receive cash is matched by the other entity's corresponding obligation to pay.

Though this may differ from jurisdiction to jurisdiction, contracts are generally evidenced by the following:

- Contracts involve willing parties entering an arrangement.
- The terms of the contract create rights and obligations for the parties to the contract, and those rights and obligations need to result in equal performance by each party.
- The remedy for non-performance is enforceable by law.

For example:

a contract could be a sale/purchase agreement of a non-financial asset when consideration is in the form of cash or cash equivalents. The amount of revenue receivable arising on a transaction is usually determined by the agreement between the parties.

- Generally measured at the fair value of the consideration receivable.
- However, the fair value of the consideration may be less than the nominal amount of the receivable when the seller provides interest-free credit to the purchaser or accepts a note receivable bearing a below-market interest rate from the purchaser as consideration for the sale of goods.
- When an arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting the future receipts under the terms of the contract.

However, they are contracts where the rights and the obligation of the parties do not result in equal performance.

1. This can be a grant contract for an arrangement that creates an obligation for a donor to transfer resources to the recipient or a beneficiary entity and establishes the right of the recipient to receive those resources.
2. These types of arrangements are also contractual and enforceable by law even though the recipient should not provide equal consideration in return.
3. That is, the arrangement does not result in equal performance by the parties in terms of cash. The donor and recipient may have a financial liability and asset respectively.

The ability to exercise contractual right or the requirement to satisfy contractual obligation may be absolute, or it may be contingent on the occurrence of a future event.

1. A contingent right and obligation meet the definition of a financial asset and a financial liability, even though such assets and liabilities are not always recognised in the financial statements.
2. A financial instrument may require an entity to deliver cash or another financial asset, or otherwise to settle it in such a way that it would be a financial liability, in the event of the occurrence or non-occurrence of uncertain future events or on the outcome of uncertain circumstances that are beyond the control of both the issuer and the holder of the instrument such as a change in an interest or exchange rate.
3. The issuer of such an instrument does not have the unconditional right to avoid delivering cash or another financial asset or otherwise to settle it in such a way that it would be a financial liability. Therefore, it is a financial liability of the issuer and a financial asset of the holder.

For example:

A financial guarantee is a contractual right of the lender to receive cash from the guarantor, and a corresponding contractual obligation of the guarantor to pay the lender, if the borrower defaults.

The contractual right and obligation may exist because of a past transaction or event even though one party's ability to exercise its right and the requirement for the other party to perform under its obligation are both contingent on a future event.

The contractual right and obligation exist because of a past transaction or event (assumption of the guarantee), even though the lender's ability to exercise its right and the requirement for the guarantor to perform under its obligation are both contingent on a future act of default by the borrower.

2.3. Financial products and services

Financial products are contracts that are bought and sold on a marketplace. This is a very general definition as financial products are diverse and come in several different forms. The central concept behind a financial product is that it lets an individual convert fiat currency into something that can be bought and sold with others on a market. When it comes to financial products, there are several possible ways to classify them depending on which features of those products are relevant for one's interests.

2.3.1. Banking

Banking is defined as a business activity of accepting and safeguarding money owned by individuals and entities and then lending out this money as a means to earn a profit. Banking services have evolved to issuing debit and credit cards; providing safe custody of valuable items; ATM services; and online transfer of money across the country and the world. Banks can be:

1. Retail banking, consumer banking, or personal banking: banking service that provides financial services to individual consumers rather than to businesses. Retail banking is a way for individual consumers to manage their money, have access to credit, and deposit their money in a secure manner.
2. Corporate banking: a set of tailor-made financial services that financial institutions offer to corporations in the context of corporate financing and raise capital.
3. Commercial banking: offers consumers and small to mid-sized businesses with basic banking services including deposit accounts and loans. The main difference between corporate banking and commercial banking is that corporate banking mainly has large multinational companies and big institutions as their customers, while commercial banking has mainly individuals and medium-sized businesses as their customers. Banks offering services to mainly small business owners are commonly referred to as business banks.
4. Investment banking: a specific division of banking related to the creation of capital for other companies, governments, and other entities, and the provision of financial consultancy services to them. Investment banks act as intermediaries between investors (who have money to invest) and corporations (who require capital to grow and run their businesses). There are several debt instruments through which a business can receive funds from a banking institution, such as Credit Cards; Overdraft; Lines of Credit; Leasing or Hire Purchase; or Loans.

2.3.2. Debit and credit cards

A debit card is a payment card that deducts money directly from a consumer's checking account when it is used, eliminating the need to carry cash or physical checks to make purchases. Debit cards can be used to buy goods or services; or to get cash from an automated teller machine (ATM) or a merchant that will let an individual add an extra amount onto a purchase.

A credit card is a debt instrument for financial transactions instead of cash or a check or a debit card. Depending on its owner's creditworthiness, a credit card may have a high spending limit or a lower one. When an individual uses a credit card, the purchase amount is automatically added to an outstanding balance. A customer has a certain number of days to pay before interest is charged on the outstanding balance, though in some cases, interest starts accruing right away.

There are specialised business debit cards and business credit cards intended for use by a business rather than for an individual's personal use. Having a business bank card alongside a personal banking card is beneficial for entrepreneurs when time comes to file taxes or review past transactions in a way that keeps personal and business finances separate. In other word, banking cards provide an effective way for individual and businesses to make purchases and to monitor purchases.

Advantages of business credit card

1. It can give access to finance when cash flow dips. A business credit card can come in very handy in need of supplies, equipment, or even capital improvements.
2. Many companies offer rewards and incentives for using their credit cards (e.g., cash back, airline miles, or other rewards).
3. Many business credit cards offer a 0% interest period. That means one can borrow for free - with no interest charged, as long as minimum monthly repayments are made on time.

Disadvantages of business credit card

1. It accrues debt.
2. Interest rates on credit cards can be notoriously high. Business credit cards are usually charged higher interest rates compared to personal credit cards. Also, interest rates on business credit cards are relatively high compared to loans and other types of finance.
3. To get approval for the average business credit card, the issuer will review personal credit report. This means that any late or missed payment could result in a negative personal credit report and the inability to personally borrow money.

2.3.3. Bank services: Loans

A loan is a specific amount of money that an individual or business borrows from a banking institution that has a specified repayment schedule and either a fixed or floating interest rate. Loans come in several varieties, usually reflecting their lifespan:

1. Short-term loan: usually offered to firms that are not qualify for a line of credit, generally runs less than a year, though it can also refer to a loan of up to 18 months or so.
2. Intermediate-term loan: generally, runs more than one but less than three years and is paid in monthly instalments from a company's cash flow.
3. Long-term loan: can run for three to 25 years, uses company assets as collateral, and requires monthly or quarterly payments from profits or cash flow.

2.3.4. Bank services: Line of credit

A line of credit is a flexible loan from a financial institution that allows access to a fixed amount of capital, which can be used to meet short-term business needs. Ideally, the borrower can draw down or withdraw, repay, and withdraw again. The interest is charged on the amount a customer use from their credit line only and not on the approved credit limit. A business line of credit is one of the tools that a business can use to finance short-term working capital requirements, such as:

- Purchasing inventory
- Repairing business-critical equipment
- Financing a marketing campaign
- Bridging a seasonal cash flow gap.

Line of credit vs. business loan

A business loan gives a lump sum based on what a borrower thinks is need for their business and it is rare to precise the right amount, and guessing lower, the borrower will have to scramble to find the extra capital to accomplish their goals for the business. And if the borrower guesses higher, they are paying interest and initiation fees on money they did not need to borrow. So, with a LOC, it is wise to use the money that is needed.

When to consider using a line of credit

If a business regularly requires access to funds to meet short-term capital needs to manage its day-to-day capital requirements, then applying for a LOC might make sense. A new business without an established business credit profile will likely have a difficult time qualifying for a LOC. Most lenders prefer to offer a LOC to more established businesses with a track record and revenues to support the more flexible financing provided by a line of credit.

Advantages of using a line of credit

1. It improves cash flow during slow seasons.
2. It allows to use any amount under the credit limit and pay interest on what is needed.
3. It improves business adaptability as it allows to use opportunities within a limited window.

Disadvantages of using a line of credit

1. They can be expensive through extra charges and fees. Although they are not usually as expensive as a business credit card, business LOCs have high interest rates, and may have hidden fees.
2. Applying is time-consuming and far more complicated than applying for a secured instalment loan or credit card.
3. They are not accessible to newly established businesses. Often, there is a need of two years of business history to qualify for a line of credit
4. They are susceptible to misuse, leading to significant debt if not strictly used against cash flow shortages.

Apply for a line of credit

Like a loan, most lenders will want to see financial records and documents that demonstrate a track record and demonstrate creditworthiness. Traditional lenders like banks and credit unions will require some additional documentation that online lenders might not require, so it is a good idea to find out before the first meeting with the lender what will be required. Some of the basic information needed to apply could include:

- Business License
- Tax Returns
- 2-3 months of bank statements
- A business bank account
- Standard financial documents like Profit & Loss Statements
- Accounts Receivable and Accounts Payable, Cash Flow, etc.

As a general rule, lenders will rarely offer a LOC to:

1. Idea stage companies or start-ups
2. Cover losses on past operations
3. Meet immediate expenses that will not necessarily lead to profits

To demonstrate the business is qualified for a LOC, be prepared to show:

1. The business is profitable of generating additional revenues.
2. Management understands the financial aspects of running a business.
3. The business has a plan for the LOC to cover specific expenses at specific times and can demonstrate its ability to make periodic payments.

2.3.5. Bank services: Microcredit

Microcredit is a common form of microfinance that involves an extremely small loan given to an individual to help them become self-employed or grow a small business. This is a common approach used where the borrowers tend to be low-income individuals, especially developing countries. The structure of microcredit arrangements differs from traditional banking, where collateral may be required, or other terms established to guarantee repayment. In the case of microcredit, there might not be a written agreement at all.

Like conventional lenders, micro-financiers must charge interest on loans, and they institute specific repayment plans with payments due at regular intervals. Some lenders require loan recipients to set aside a part of their income in a savings account, which can be used as insurance if the customer defaults. If the borrower repays the loan successfully, then they have just accrued extra savings. As the most applicants cannot offer collateral, microlenders often pool borrowers together as a buffer. After receiving loans, the recipients repay their debts together. Because the success of the program depends on everyone's contributions, this creates a form of peer pressure that can help to ensure repayment.

2.3.6. Bank services: Bank and business overdrafts

Bank overdraft is an extension of credit from a lending institution that is granted when an account reaches zero, allowing account holder to continue withdrawing money even when the account has no funds in it or has insufficient funds to cover the amount of the withdrawal. It is a form of a short-term loan to account holder for which the customer pays interest, as well as, typically, a one-time insufficient funds fee.

Business overdrafts are a very common way of financing small and medium-sized enterprises (SMEs) and are ideal for those enterprieses with fluctuating finance requirements. Overdrafts that are arranged in advance, in that their limit is agreed with the bank beforehand, are called authorised overdrafts. Unauthorised overdrafts, also known as unplanned or unarranged overdrafts, refer to spending more money than there is available in a bank account without agreeing it in advance. This includes going over the limit of an authorised overdraft. Both types of overdrafts can be expensive ways to borrow money, however unauthorized overdrafts have usually higher charges.

Considering using a bank overdraft for a business

A bank overdraft can be a useful form of short-term business funding when there is shortfall in cash flow, which allows to keep up with day-to-day expenses and compensation of wages. Thus, consider using a bank overdraft if:

1. There is a need to cover for unplanned, ad hoc expenses
2. Cash flow is tight, but do not want to commit to a full business loan, and you prefer a more flexible solution
3. Facing high risks of external cash flow disruptions.

Advantages using a bank overdraft

1. Useful short-term business funding solution
2. Only borrowed when money is needed, there is no obligation to use the amount.
3. They offer flexibility as the overdraft can be tailored to suit business' needs
4. Only pay interest on the overdrawn balance

Disadvantages of using an overdraft

1. Since banks usually reserve the right to ask for the overdraft to be repaid on request, it is not a secure source of medium or long-term business funding.
2. Banks can reserve the right to call in an overdraft at short notice.
3. Overdraft can be difficult to extend if additional funding is required.
4. Allowance is based on business income, so if business is small and has not been trading that long, it might struggle to get funding.
5. Interest charged is not predictable, as it depends on a variable interest rate and on the amount overdrawn on each day of the charging period.

2.4. Insurance

An insurance is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from an insurance company. The company pools clients' risks to make payments more affordable for the insured. Insurance policies are used to hedge against the risk of financial losses, both big and small, that may result from damage to the insured or their property, or from liability for damage or injury caused to a third party.

Business insurance refers broadly to a class of insurance coverage intended for purchase by businesses rather than individuals, which protects businesses from losses due to events that may occur during the normal course of business. A certain risk level is inherent in running a business, and a company cannot completely eliminate risks. Business risks arise due to a variety of causes. Indeed, risks are a necessary part of business growth and development. While a company is growing it begins to face different risk factors, associated with its development steps (e.g., investment decisions, expansion in size, products, markets etc). Generally, the risk factors are more prevalent in younger companies with higher growth rates and less prevalent in mature companies with lower growth rates. These are some typical risks a company may face in its path to growth:

Economic Risks:

The economy is constantly changing as the markets fluctuate. Some positive changes are good for the economy, which lead to booming purchase environments, while negative events can reduce sales. It is important to watch changes and trends to potentially identify and plan for an economic downturn.

Financial Risks:

This business risk may involve credit extended to customers or the company's debt load. Interest rate fluctuations can also be a threat. Adjusting business plan helps avoid harming cash flow or creating an unexpected loss; by keeping debt to a minimum and creating a plan that will start lowering that debt load as soon as possible.

Compliance Risks:

Business owners face an abundance of laws and regulations to comply with. For example, recent data protection and payment processing compliance could impact how to handle certain aspects of a business operations. Non-compliance may result in significant fines and penalties. So, staying well versed in applicable laws can help minimise compliance risks.

Reputation Risk:

There is always a risk that an unhappy customer, product failure, negative press or lawsuit can adversely impact a company's reputation. Lately, social media has amplified the speed and scope of reputation risk. Just one negative comment or bad review can decrease customers and cause revenue to plummet.

Competition Risk:

While a business may be aware that there is always some competition in their industry, it is easy to miss out on what businesses are offering that may appeal to customers. In this case, the business risk involves a company leader becoming so comfortable with their success and does

not look for ways to pivot or make continual improvements. Increasing competition combined with an unwillingness to change may result in a loss of customers.

Considering buying an insurance for a business

Premium:

A premium is the actual cost of a business insurance protection. The business pays it initially when it purchases its coverage and then periodically to keep the insurance active. Premiums can be paid in full when starting the policy or through recurring monthly payments. If the premium is not paid, the insurer will eventually cancel the policy. An insurance premium is not the same as an insurance quote. A premium is the actual cost of the policy, which an insurer determines through a process called underwriting. To receive the actual cost or premium, the business needs to complete a more detailed insurance application than the one needed to fill in to get quotes from different providers.

Deductible:

A policy deductible is what the insured pays out of pocket before the insurance policy provides financial assistance and coverage. In effect, it is a form of risk sharing between the insured and insurance company. This helps to keep insurance costs affordable for small business owners while minimising the number of small claims insurers must handle.

> E.g., Let us say that an insured person suffers a damage to business car from an accident. An insurance adjuster will investigate the incident to determine how much it will cost to fix the damaged car. Here is where deductible enters the picture. If the adjuster's damage estimate was 5,000.00 € and the insured person's commercial auto insurance policy has a 500.00 € deductible, then the insured person will first pay 500.00 € of the claim and the insurance company will pay the balance of 4,500.00 €.

Setting deductible amount is often a joint decision between the insured and the insurer. With some insurance types, the company will set a minimum deductible and then give optional deductibles from which to choose. By choosing a higher deductible, the total premium will typically be lower. However, the insured will pay more out of pocket before the insurance coverage is activated. Some insurance policies may include different types of deductibles, such as:

1. Flat deductible: A fixed amount of money applied to each loss.
2. Percentage deductible: A percentage applied to a property's total value, often in cases of catastrophe damage.
3. Waiting-period deductible: A certain period of time a business must be shut down before qualifying for payments under its business interruption endorsement.

2.4.1. Insurance products

The most common types of business insurance that small business owners might consider, include:

Commercial property insurance:

Commercial property insurance helps cover the damage or loss of property, like structures or buildings, and items including equipment, furniture, inventory, supplies and fixtures. It can also help cover the costs to repair or replace stolen, damaged, or destroyed property, including property and equipment that does not belong to business owners but is in their care and custody.

Business interruption insurance:

Business interruption is insurance coverage that replaces income lost in the event that business is halted due to direct physical loss or damage, such as might be caused by a fire or a natural disaster. This type of insurance also covers operating expenses, a move to a temporary location, if necessary, payroll, taxes, and loan payments. It is not sold as a separate policy but is either added to a property/casualty policy or included in a comprehensive package policy as an add-on or rider.

Third-party Liability Coverage:

Any type of insurance covering the legal liability of one party to another party. This is a general category, comprised by many different insurance coverage themes:

- General liability insurance protects a business in cases of claims of bodily injury incurred on the business' premises or while using business's product; damage to the plaintiff's property; or damages caused by slander, libel, copyright infringement, and more. In general, general liability insurance provides coverage for physical damages.

- Professional liability insurance insures against claims of negligence, misrepresentation or inaccurate advice that result from mistakes or failure to perform. This coverage is also known as errors and omissions insurance or in some countries as professional indemnity insurance. In general, professional liability insurance provides coverage for financial damages.
- Product liability insurance covers claims related to product design defects, manufacturing defects, warning or use defects, and strict liability (i.e., absence of negligence but where injury or damage resulted from proper use).
- Employers' liability insurance is an insurance policy that handles claims from workers who have suffered a job-related injury or illness not covered by workers' compensation. It can be packaged with workers' compensation to further protect companies against the costs associated with workplace injuries, illnesses, or deaths.

2.5. Investment

Investment can be defined as a commitment of funds made in the expectation of some positive rate of return. When an individual invests, the intent is to create wealth. Thus, all investments aim to result in the acquisition of some assets either financial or physical, or else with the goal of generating income or appreciation, an increase in the value of an asset over time. The objectives of investments are to maximise return: An investment always concerns giving asset, time, money, or effort in hopes of a greater payoff in the future than what was originally put in; and to minimise risks: The investor always seeks to reduce as much as possible the probability of the actual return to become less than the expected return.

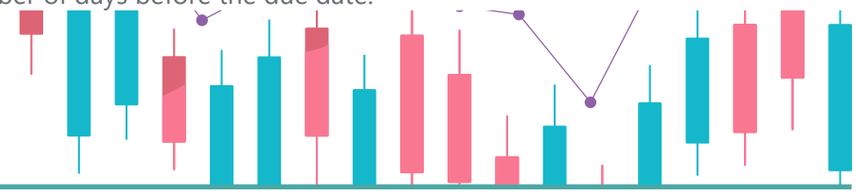
Investment helps in maintaining liquidity, which can help an investor to meet an emergency when a portion of the investment can be converted into cash without much loss of time. Investment also helps in hedging against Inflation as the rate of return can ensure a cover against inflation to protect against a rise of prices and fall in the purchasing value of money. In this case, the rate of return should be higher than the rate of inflation, otherwise the investor can experience losses. Further, investment helps in saving Tax as there are certain investments which provide tax exemption to the investor. The tax saving investments increases the return on investment. Therefore, an investor could think of saving income tax and invest money in order to maximise the return on investment.

Investment requires being a risk taker. The risk refers to the chance that the actual outcome or return from an investment differ from an expected outcome. It may relate to loss of capital, delay in repayment of capital, non-payment of interest, or variability of returns. Risk and return of an investment are related. Normally, the higher the risk, the higher is the return. Investments are made with the primary objective of deriving a return. The return may be received in the form of capital appreciation plus yield. The difference between the sales price and the purchase price is capital appreciation. The dividend or interest received from the investment is the yield, and all this requires safety. The safety of an investment implies the certainty of return of capital without loss of money or time. Every investor expects to get back their capital on maturity without loss and without delay. So, the most viable investment is highly liquid. Liquidity describes the degree to which an asset can be quickly bought or sold in the market at a price reflecting its intrinsic value. An investment which is easily saleable or marketable and can be converted into cash without loss of money and without loss of time is said to possess liquidity.

2.5.1. Trade Credit

Trade credit is a business-to-business (B2B) agreement in which a customer can purchase goods without paying cash up front and paying the supplier at a later scheduled date. Usually, businesses that operate with trade credits will give buyers 30 to 90 days to pay, with the transaction recorded through an invoice. A B2B trade credit can help a business to obtain, manufacture, and sell goods before ever having to pay for them. This allows businesses to receive a revenue stream that can retroactively cover costs of goods sold. Trade credit can also be an essential way for businesses to finance short-term growth.

As trade credit is a form of credit with no interest, is often be used to encourage sales. Since trade credit puts suppliers at somewhat of a disadvantage, many suppliers use discounts when trade credits are involved to encourage early payments. The supplier may give a discount if a customer pays within a certain number of days before the due date.



2.5.2. Angel Investors

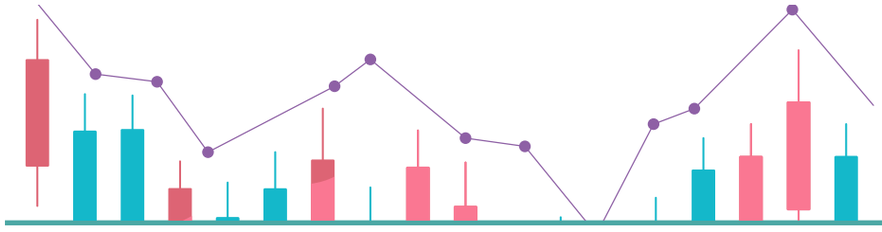
An angel investor, private investor, seed investor or angel funder is a high-net-worth individuals who funds start-ups at the early stages, often with their own money. Angel investing is often the primary source of funding for many start-ups who find it more appealing than other, more predatory, forms of funding. The support that angel investors provide to start-ups fosters innovation which translates into economic growth. Angel investors provide favourable terms compared to other lenders, since they usually invest in the entrepreneur starting the business rather than the viability of the business. Angel investors are focused on helping start-ups take their first steps, rather than the possible profit they may get from the business. Ideally, angel investors are the opposite of venture capitalists.

2.5.3. Venture Capital

Venture capital is a form of private equity and a type of financing that investors provide to start-up companies and small businesses that are believed to have long-term growth potential. Venture capital generally comes from well-off investors, investment banks, and other financial institutions. However, it does not always take a monetary form; it can also be provided in the form of technical or managerial expertise. Venture capital is typically allocated to small companies with exceptional growth potential, or to companies that have grown quickly and appear poised to continue to expand.

2.5.4. Peer-to-peer lending

P2P lending is a way for borrowers to get funding without going to the traditional sources of finance, such as banks. P2P websites work like marketplaces, in that they bring together people or businesses that want to lend money with those that want a loan. On some websites, any money an individual lends out is automatically divided between a large number of borrowers, but on others, it possible to choose who to lend money to. The interest rates on P2P lending are typically higher than those available from traditional savings accounts. Generally speaking, the higher the interest rate someone will pay, the higher the risk that they will be unable to repay the loan.



2.5.5. Corporate Bonds

A corporate bond is a type of debt security that is issued by a firm and sold to investors to raise financing for a variety of reasons such as to expand their business. The corporation that issues the bond is considered a borrower. Investors who buy those bonds, are considered the lenders. The company gets the capital it needs and in return the investor is paid a pre-established number of interest payments at either a fixed or variable interest rate. When the bond expires, or reaches maturity, the payments cease, and the original investment is returned. The backing for the bond is generally the ability of the company to repay, which depends on its prospects for future revenues and profitability. In some cases, the company's physical assets may be used as collateral. The biggest benefit of corporate bonds is stability. Bonds tend to hold up across various economic environment as long as the issuing company remains in good shape. The drawback is that this stability comes at the expense of lower long-term returns.

2.5.6. Stocks

Stocks are securities that represent an ownership share in a company. For companies, issuing stock is a way to raise money to grow and invest in their business. For investors, stocks are a way to grow their money and outpace inflation over time. When a public company needs to raise funds, common stock is provided to act as equity instruments. The shareholder who offers to fund the business receives co-ownership in exchange. Additionally, this ownership gives the right to vote at shareholders meetings in proportion to their ownership. Preferred stock is another type of equity instrument that is similar to common stock. The difference between the two is that preferred shareholders receive capital repayment before common stock shareholders but do not have voting rights.

The value of company's stocks can fluctuate substantially and is often based on projections of what people think it could earn in the future. As a result, stock prices can be very volatile. Thus, investing in stocks is considered a high-risk option, as there is a relatively large percentage chance of loss of capital or under-performance, but also chance of a devastating loss. On the other hand, the stock market offers the potential of very high returns and has proven to produce the highest gains over long time periods.

2.5.7. Mutual Funds

A mutual fund is a type of financial vehicle made up of a pool of money collected from many investors to invest in securities like stocks, bonds, money market instruments, and other assets. Mutual funds are operated by managers who allocate the fund's assets and attempt to produce capital gains or income for the fund's investors. Overall, there are four broad types of mutual funds:

1. Equity funds: Equity mutual funds buy stocks of a collection of publicly traded companies. They have a higher potential for growth but more potential volatility in value. Thus, the younger an individual is, the more their portfolio should include equity funds, as there is more time to weather inevitable ups and downs in market value.

2. Bond funds: Bond funds are the most common type of fixed-income mutual funds. Rather than buying stocks, bond funds invest in government and corporate debt. They are considered a safer investment than stocks, but they have less potential for growth than equity funds. Investors nearing retirement might have more bond funds in their portfolio to protect them.

3. Money market mutual funds: they are fixed-income mutual funds that invest in high-quality, short-term debt from governments, banks, or corporations. Examples of assets held by these funds include certificates of deposit and commercial paper. They are considered one of the safest investments.

4. Balanced funds: also known as asset allocation funds, these investments are a combination of equity and fixed-income funds with a fixed ratio of investments such as 60% stocks and 40% bonds. The best-known variety of these funds are target-date funds, which automatically reallocate the ratio of investments from equities to bonds the closer an individual gets to retirement.

Mutual funds give small, individual investors access to professionally managed portfolios of equities, bonds, and other securities. Each shareholder, thus, participates proportionally in the gains or losses of the fund. Investors earn a return from a mutual fund in three ways:

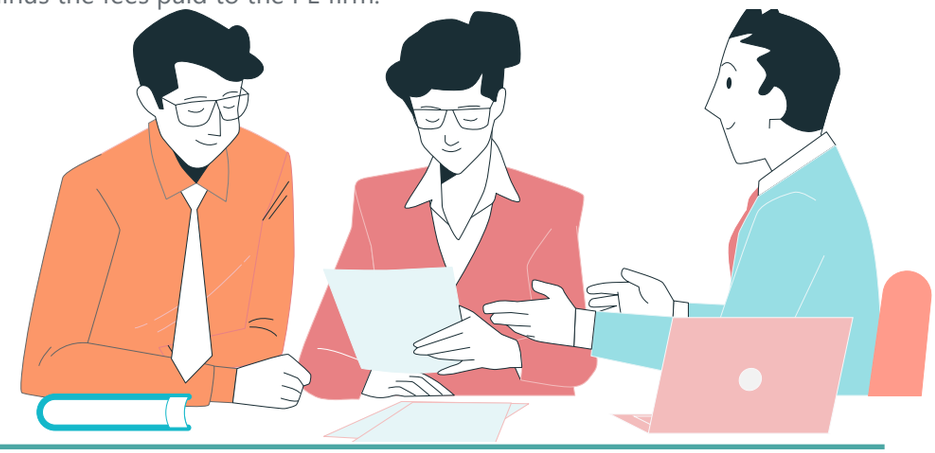
1. Income is earned from dividends on stocks and interest on bonds held in the fund's portfolio. A fund pays out nearly all of the income it receives over the year to fund owners in the form of a distribution. Funds often give investors a choice either to receive a check for distributions or to reinvest the earnings and get more shares.

2. If the fund sells securities that have increased in price, the fund has a capital gain. Most funds also pass on these gains to investors in a distribution.

3. If fund holdings increase in price but are not sold by the fund manager, the fund's shares increase in price. You can then sell your mutual fund shares for a profit in the market. On the other hand, mutual funds charge annual fees (called expense ratios) and, in some cases, commissions, which can affect their overall returns.

2.5.8. Private Equity

Similar to a mutual fund, a private equity fund is a pooled investment vehicle. Private Equity (PE) firms pool money from a number of investors (wealthy individuals, investment banks, insurance companies, financial institutions and pension or other funds etc), in order to fund or acquire stakes in established companies. Private equity is the fund that these PE firms collect from investors and invest in private companies (i.e., companies that have not been listed or traded on any stock exchange). What most Private Equity Deals try to achieve is to acquire a large stake in a business (preferably a 100% but not less than 50%), position the business for growth through advisory, active involvement in the company's decision making and if necessary, management rotations and substitutions, and then have the patience to let the business grow and improve its profitability. Then the investment is exited in a 5–10-year period. Private equity firms make money by charging management and performance fees from investors in a fund. The investors receive all of the funds' proceeds minus the fees paid to the PE firm.



SECTION - 3:

Implications of financial literacy on youth work

3.1. Financial literacy in youth work

Youth workers, youth educators who are financial literacy practitioner offering financial education and training interventions within the confines of youth work through non-formal learning, are well positioned to motivate, educate, training, and empower the youth they interact with to engage in the financial behaviours that contribute to greater state of financial well-being. That is, the youth workers with financial literacy training skills can facilitate, accompany, support, and help the youth to connect their behaviours to their financial goals and aspirations, by evoking their vision of making a financial impact in their lives or contributing to a social change within their communities. It means that the youth workers, youth educators as the financial literacy practitioners through youth work, they can help young people to connect their goals to financial plans, their plans to day-to-day behaviours, and their behaviours to decisions carried through to completion.

However, since knowledge alone does not automatically equate to behaviours, youth work should pay attention to key attitudes, beliefs, social barriers, context, and lived experience that can enable youth to engage in the skills and behaviours that could allow them to succeed as youth entrepreneurs. Indeed, this is the goal of empowerment. Financial Empowerment can be defined as a process by which youth entrepreneurs gain control over the factors that shape their lives and their entrepreneurial ventures. It is the process by which youth entrepreneurs increase their financial knowledge, skills, and attitudes to develop the financial capability that is necessary to strengthen their financial behaviours, and thereby, achieve a greater state of financial well-being. It implies that youth entrepreneurs cannot be empowered by others, youth entrepreneurs can only empower themselves to achieve their desired state of financial well-being. So, the role of youth workers as financial literacy practitioners is to accompany youth entrepreneurs on their entrepreneurial journey by creating learning opportunities and most favourable learning conditions allowing them to acquire the financial knowledge, skills, and attitudes toward financial behavioural change.

Thus, Financial Empowerment is a fundamental concept in financial literacy within the confines of youth work; emphasising the need to create favourable learning conditions for experiential learning, which is built on and structured around youth entrepreneurs' learning needs and knowledge gaps, social barriers, and lived experiences. A youth worker as a financial literacy practitioner needs to think like a facilitator. E.g., do the youth entrepreneurs I work and/or interact with possess the skills that define financial ability? That is to say, the ability to translate financial intentions, knowledge, and behaviours into financial actions. Similarly, do the youth entrepreneurs I work and/or interact with have attitudes, structural opportunity, and decision-making contexts conducive to taking those actions? This requires conducting research by consulting youth entrepreneurs themselves because multiple factors interact to influence a person's level of financial well-being. Ideally, to accomplish something, a person needs to:

1. Know how to do it and be able to achieve a desired result. That is, having both the knowledge and skills.
2. Feel confident in knowing how to do it effectively and believe that doing it is valuable. That is practicing both attitude and behaviour.
3. Have an opportunity to do it and be in a decision-making context that is conducive to doing it. That is, having the opportunities and favourable conditions.

Therefore, all forms of gaining knowledge are not equally relevant. Experiential learning within the confines of youth work in the context of non-formal education, is likely to be far more relevant, a more powerful way for the youth entrepreneurs to gain functional skills than financial learning gained within formal education which is encountered without any immediate applicability. And since formal education does not prioritise financial skills, the influence of non-formal education on financial literacy is important. Overall, we aim to encourage youth workers, youth educators to take these ideas and consider how they might be incorporated into their youth work or programme designs. That is, the financial literacy field needs youth-oriented financial literacy practitioners to experiment inventively and to report back on what works and what does not work.

3.2. Financial literacy training cycle

Herein, a financial literacy training intervention is described as a learning process, involving a wide range of training learning activities aimed at both empowering and strengthening the participants' financial awareness, knowledge, skills, and attitudes that can contribute to the change in financial behaviours to achieve an individual's desired state of financial well-being. The terms: the targeted groups, participants, and learners are used interchangeably

to refer to a potential training audience.

keeping with the above context, a financial education training refers to:

organised efforts to transfer financial knowledge and develop financial skills and financial attitude that encourage financial behavioural change within an individual, and which contributes to achieving a greater state of financial well-being.

(i). Organised efforts: a financial literacy training intervention, or any other type of training intervention for that matter, should not be improvised. Training delivery is one of the final stages of the training cycle, which normally starts with the planning and design stage.

(ii). Transfer financial knowledge: Transferring financial knowledge does not refer to just understanding of any financial standards, systems, instruments, mechanisms, or information but only to the financial knowledge specifically relevant to the training audience in a specific context.

(iii). Develop the financial skills: during training learning activities, financial skills are strengthened by practice and application. A process that needs to continue beyond the training delivery phase through appropriately tailored post-training interventions.

(iv). Develop financial attitude to change negative attitudes or to reinforce positive ones, so that the training participants can assume their responsibilities, and thus, take the necessary, better, and informed financial decisions and actions.

(v). Encourage financial behavioural change: the effectiveness of a training lies in the actions that it fosters among participants, and its effects on their lives: observable changes at the participants, organisational, or community level that can reasonably demonstrate an increase in financial capability.

Ideally, a training intervention is a process, of which a training delivery, which is the most visible component, is just one of the final stages. So, a training cycle is a model that is used herein to conceptualise different phases of a financial literacy training, from the initial idea to the post-training interventions. That is,

1. The first step is conducting a training needs assessment in the planning phase, a process which helps identify the training audience's financial learning needs and knowledge gaps. The data from this process is further used to identify the desired level of financial well-being, set training goals and learning objectives, and decide on the most appropriate content and methodology of the training.
2. The content and methodology are then worked out in depth in the design phase, during which an overall training agenda and plans for individual sessions are prepared. Moreover, the design phase looks at administrative aspects such as training team, budget, timing, venue, accommodation, agreement, invitation letters, information to learners, training material, etc.
3. After a training has been held (delivery phase), through a training report, the training organiser documents the main aspects of the course, the used methodology, and results that could be identified in the short-term and medium-term perspective.
4. During the follow-up phase, training beneficiaries or implementing partners, create enabling environments and conditions for conducting and assessing post-training interventions because of their participation in the training.

3.3. Results of a financial literacy training

After understanding financial context (challenges, opportunities, conditions), characteristics, and lived experiences of the learners and their financial learning needs or financial knowledge gap, and the financial behavioural change that they need, it is important to determine what that desired financial behavioural change would look like in terms of results and how those results are measured in terms of financial capability. Although it may seem like thinking backwards, developing a clear vision of what the end results would look like and determining how to achieve those results helps to make sure that the training design is oriented in the right direction. So, clearly articulating the desired results enables the setting of clearly defined goals and realistic objectives for the training and development of evaluation tools needed, to confirm, over time, that the desired behavioural change has indeed occurred.

That is, a financial literacy training organiser should be able to identify and measure positive changes or results, to which the training has contributed to at various levels of change:

3.3.1. Individual level

This is the changes a financial literacy training organiser wants to see in the individual learners. What financial knowledge, skills, attitudes, and behaviours can an individual acquire, reinforce, or modify to achieve a desired state of financial well-being? For example:

1. The learners have improved their financial ability to translate financial intentions, knowledge, and behaviours into financial actions.
2. The learners have strengthened their financial attitudes to assess and analyse structural opportunities and decision-making contexts conducive to taking financial actions.

3.3.2. Organisation or group level

This is the changes a financial literacy training organiser expects when the training participants transfer their learning experiences to their organisations or a group they work with. That is, what effects might their new financial knowledge, skills, attitudes, or behaviours have on their organisation or group? For example:

1. six (6) months after the training, the learners' organisations or groups are incorporating or integrating a participatory financial literacy training approach in their youth education and training programmes for youth entrepreneurs or youth workers.

3.3.3. Broader community or society level

This is the changes a financial literacy training organiser anticipates when the participants' organisation transfers its incorporated, integrated participatory financial literacy training approach to the broader community or society. That is, what effects might be observed if the organisation adapts, uses, or applies the training output within its own youth work at the local level? For example:

1. twelve (12) months after training, a participatory financial literacy training approach is incorporated into the youth education and training of other institutions or groups, or into community's overall youth education, training, youth work or practices, or into other aspects of education in the broader community.

Hence, how can we transform these changes into actual results? This can be done through a Results-Based-Management or a performance management tool, supported by an Impact Pathway that focuses on improving performance and ensuring that the training intervention contributes to achieving desired results through a logical causal chain from the training context to the training impact.

1. Context

These are the circumstances that form the terms for which the need for a training intervention to address a financial literacy problem or issue within a specific community and among a specific targeted group can be fully understood.

2. Inputs

These are the financial, materials, and human resources such as funds, staff time, equipment, or venue, travel, meals and accommodation costs and their arrangement, or learning materials, tools, or resources costs, etc. used in conjunction with a training intervention to achieve desired results.

3. Intervention

These are concrete activities, processes, or tasks which the targeted groups undertake to transform Inputs into Outputs, Outputs into Outcomes, and Outcomes into impacts.

A training course is only one of the many possible interventions to address a specific financial literacy problem within a community, or among a group. However, before deciding to carry out a training, it is essential to analyse the financial context in which such training is to take place and the financial problem it seeks to address to assess and determine whether it is indeed the right intervention to use.

4. Short-term results - Outputs

These are the immediate consequences or effects of a training, observed at two levels:

1. direct products or services stemming from the training such as the actual training sessions delivered and the training materials, tools, and resources produced.
2. the number of the learners served by the training.

E.g., As a short-term result:

- 25 young entrepreneurs or youth workers are trained, and thus, have strengthened their financial ability to translate the

financial intentions, knowledge, and behaviours into financial actions.

- one (1) training manual on basic instructional for delivering financial literacy training interventions in youth work through a gender-sensitive and participatory approach is produced.

5. Medium-term results - Outcomes

These are the intermediate effects or consequences of a training, observed at two levels:

1. Immediate outcomes: These are the immediate learning outcomes among the learners who participated in the training, which are directly attributable to both the training Inputs and Outputs. They represent an immediate change or an increase in financial knowledge, skills, awareness, behaviours, or ability among the learners.
2. Intermediate outcomes: constitute a change in financial behaviours or practices among the learners' organisations and/or communities, observed based on the quantity of post-training interventions delivered by the learners, the number of beneficiaries served by a post-training intervention, or the satisfaction level with the Outputs usability by those beneficiaries.

E.g., As a medium-term result:

- Immediately after the training, the participants can obtain reliable financial information and can both analyse and process it to make sound financial decisions for their entrepreneurial ventures and execute financial decisions through monitoring and adapting as necessary to stay on track.
- Six months after the training, 10 post-training interventions on financial literacy for young entrepreneurs are delivered by the training participants through their organisations at the local or community level.
- Immediately after the post-training intervention, 50 youth workers' financial capability to develop and conduct gender-sensitive and participatory financial literacy training activities was built and strengthened.
- Six months after the post-training interventions, 85% of the post-training interventions' beneficiaries responded to be satisfied with the training manual usability at 7.5 rate on a 1-10 scale.

6. Long-term results - Impacts

These are long-term consequences or effects of a financial literacy training intervention which lead to the ultimate desired changes to which the training seeks to contribute to, observed based on financial actions taken by learners, their organisations or community, and the beneficiaries who participated in post-training interventions at the local or national level, and measured in terms of financial well-being.

E.g., As a long-term result:

- 16 months after the training, 50 young entrepreneurs have strengthened their financial attitudes to critically assess structural opportunities and decision-making contexts conducive to taking financial actions that lead to desired state of financial well-being.
- 18 months after the training, 50 youth educators as financial capability practitioners are developing and conducting gender-sensitive and participatory training activities to integrate financial education in their schools or organisations' educational activities, youth work, or practices.
- 24 months after training, 100 youth educators, policymakers, or civil society leaders are reached and engaged with the training manual on basic instructional for delivering a financial literacy training interventions through a gender-sensitive and participatory approach, and thus, they are developing positive attitudes toward integrating financial education in the overall youth education work, social work, community work, etc.
- 32 months after the training, 10 local youth organisations are using the training manual in planning, designing, and delivering financial literacy training programmes through a gender-sensitive and participatory approach in their youth education, training, work, or practices.

3.4. Developing a financial literacy training

Training objectives describe measurable statements towards training learning outcomes which capture financial knowledge, skills, attitudes, or behaviours the learners should be able to exhibit because of their participation in the training that logically contribute to achieving the training desired results at the Outcome level. Whereas training learning objectives express and describe observable and measurable statements of what a trainer wants the learners to do during a training. So, training learning objectives relate to changes at the level of individual learners that are directly attributed to training learning activities, which at the end of the training through summative evaluation, the trainer can assess whether they have been achieved or not.

Training objectives are conceptualised in a manner that allows the training participants to both learn and perform towards achieving learning outcomes at three levels: knowledge, skills, and attitudes:

1. What financial knowledge, skills, or attitudes does the training participants need to acquire to exhibit change in financial behaviours to achieve the training overall goal and desired impact?
2. Which learning activities should the training participants undertake to acquire and strengthen those financial knowledge, skills, or attitudes, and thereby achieve desired financial behavioural change, implying that they have mastered training learning objectives?

3.4.1. Training objectives equal learning outcomes

For example, on successful completion of this training, the learners can:

1. illustrate financial well-being development process in the context of youth education and training. Knowledge.
    - *this outcome can be met, only if, through collaborative learning, critical thinking learning activities on illustrating the financial well-being development process in youth education are held during the training itself.*
2. translate financial intentions, knowledge, and behaviours into financial actions. Skills.
    - *this can be met, only if, through experiential learning, workshop learning activities on translating financial intentions, knowledge, and behaviours into financial actions are held during the training.*
3. assess and analyse structural opportunities and decision-making contexts conducive to taking sound financial actions. Attitudes.
    - *this can be met, only if, through problem-based learning or case studies on assessing and analysing structural opportunities and decision-making contexts conducive to taking sound financial actions are held during the training.*

3.4.2. Learning objectives lead to learning outcomes

Conceptualising training learning objectives is an integral component of training designing process that is further linked to both training process and summative evaluation and focuses on capturing changes and results at individual learners' level. So, keeping the training objectives and the expected immediate outcomes of the training in mind, we can define what the participants need to know, do, or experience during the training, to master the training learning objectives. That is, the knowledge, skills, and attitudes are broken down, to enable learners to reach and meet a training goal by mastering a specific learning objective.

Let us consider this training goal:

> The overall goal for this training is to strengthen the financial capability of youth entrepreneurs to run impactful, sustainable entrepreneurial ventures to achieve a greater state of financial well-being.

So, the question is, given this training goal, what should the participants show, present, apply, or do to meet this goal? In other words, what should be the training objectives or training learning outcomes?

The answers might be that the training objective of this training is to ensure that:

> on successful completion of this training, participants exhibit change in the financial behaviours necessary to run impactful and sustainable entrepreneurial venture to achieve a great state of financial well-being.

This training objective serves to indicate the expected learning outcomes for the training; what participants can do, produce, apply, present, illustrate, or outline, etc. because of participating in the training. To make learning and

performance feasible, this training objective can be broken down into a series of secondary objectives to facilitate the learning process. The question is, given this training objective, what do the participants need to know and learn how to do, or perform to achieve that a great state of financial well-being?

So, the answers might be that the learning outcomes of this training are to ensure that on a successful completion of this training, the participants can:

1. Present how to obtain reliable financial information.
2. Process financial information to make sound financial decisions.
3. Execute financial decisions, monitoring, and adapting as necessary to stay on track.
4. Illustrate the characteristics of an impactful, sustainable entrepreneur venture.
5. Outline and define financial goals, entrepreneurial goals, and financial well-being.

So, the learning objectives of this training can be to make sure that participants learn how to:

1. research and obtain reliable financial information.
2. gather and process financial information to make sound financial decisions.
3. analyse and execute a financial decision through monitoring and adapting as necessary to stay on track.
4. define and demonstrate the characteristics of an impactful and sustainable entrepreneur venture.
5. set financial and entrepreneurial goals that contribute to achieving a greater state of financial well-being.

3.4.3. Conducting process evaluation

Keeping with practicing an ongoing evaluation throughout the training cycle, process evaluation or real-time formative evaluation takes place during training delivery, and it should be conducted daily. Planning for a daily and thorough review of the training delivery enables the training team to make last-minute adjustments based on realities encountered during delivery.

E.g., if it becomes clear on the first day that the group needs more time to complete activities because of language barriers, then the trainers can consider eliminating, merging some activities, increasing time for others.

3.4.4. Conducting summative evaluation

End-of-training evaluation or summative evaluation is conducted at the end of the training to assess training overall effectiveness on the learners and assess whether the applied methodologies, learning activities, and materials resulted in the achievement of the overall training objective, learning objectives, goal, and results. A summative evaluation is essential for:

1. Assessing the learners' reactions, learning, and performance.
2. Comparing intended short-term results with the initial results.
3. Identifying areas for improvements if the training may be repeated.
4. Establishing accountability to stakeholders and funders.

3.4.5. Conducting transfer and impact evaluations

Evaluation continues to be a key process after a training, with the evaluations of transfer and impact. Transfer refers to the improvement in the learners' behaviours and capability, and their application in their youth work context through what they have learned during the training. For example, can we present that the learners were able to apply the training outputs in their work? Whereas Impact refers to the effects of the learning on the broader community: have learners, because of participating in the training, contributed to any changes in their organisations or communities?

These evaluations are aimed at assessing what medium-term and longer-term results or changes the training has generated. They involve:

1. assessing whether the training addressed the original gaps or problems identified in the training needs assessment.
2. determining how training outputs and learning outcomes have been transferred to groups, organisations, or communities.
3. tracking evidence on the effort made toward achieving desired impact.
4. establishing transparency and accountability to training stakeholders and donor agencies.

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