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Promoting Financial Inclusion through Financial Education: OECD/INFE Evidence, Policies and Practice

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ABSTRACT

Financial inclusion is an international policy priority and demand-side initiatives including financial education have an important role to play in helping individuals to access and use appropriate, formal financial products. In 2010, under the support of the Russian Trust Fund for Financial Literacy and Education, the OECD/INFE launched a project on the role of financial education in financial inclusion.

The results of this work show that low levels of financial inclusion are associated with lower levels of financial literacy. Recent research, including a broad stock take of INFE members, permitted to identify various ways in which policy makers are developing financial education policies for financial inclusion. Based on a review of approaches taken to deliver financial education for financial inclusion, this report highlights challenges faced and solutions found, and discusses the main lessons learnt and potential way forward.

Key words: financial education, financial inclusion, financial literacy.

JEL codes:

- D14: Microeconomics / Household Behaviour and Family Economics / Personal Finance
- D18: Microeconomics / Household Behaviour and Family Economics / Consumer Protection
- G21: Financial Economics / Financial Institutions and Services / Banks; Depository Institutions; Micro Finance Institutions; Mortgages
- G28: Financial Economics / Financial Institutions and Services / Government Policy and Regulation
- I28: Health, Education, and Welfare / Education and Research Institutions / Government Policy

RÉSUMÉ

L'inclusion financière est une politique prioritaire internationalement et les initiatives portant sur la demande comme l'éducation financière ont un rôle important à jouer afin d'aider les individus à accéder et à utiliser des produits financiers du secteur formel appropriés. En 2010, avec le soutien du Fonds russe sur l'éducation et les compétences financières, l'OCDE et son réseau international sur l'éducation financière (International Network on Financial Education (INFE) ont lancé un projet sur le rôle de l'éducation financière pour renforcer l'inclusion financière.

Les résultats de ces travaux montrent que des niveaux bas d'inclusion financière sont associés avec des niveaux bas de compétences financières. Des recherches récentes, incluant une large collecte de données au sein des membres de l'INFE, ont permis d'identifier différents approches mises en place par les autorités publiques afin de développer des politiques en matière d'éducation financière visant à promouvoir l'inclusion financière. À partir d'une analyse de ces approches, ce rapport met en évidence les défis rencontrés et les solutions trouvées afin de conduire des programmes d'éducation financière efficaces permettant d'améliorer l'inclusion financière, en tire les principaux enseignements et présente des pistes à suivre dans le futur.

Mots clés : éducation financière, inclusion financière, alphabétisation financière.

Codes JEL:

- D14: Microéconomie / Comportement des ménages et économie de la famille / Finances personnelles
- D18: Microéconomie / Comportement des ménages et économie de la famille / Protection des consommateurs
- G21: Économie financière / Institutions et services financiers / Banques; autres institutions de dépôt; micro institutions financières; hypothèques
- G28: Économie financière / Institutions et services financiers / Politiques publiques et régulation
- I28: Santé, Éducation, et bien-être / Éducation et instituts de recherche / Politiques publiques

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EXECUTIVE SUMMARY

The importance of improved financial inclusion, consumer protection and financial education for financial stability and inclusive development is globally acknowledged. The three sets of High-level principles on innovative financial inclusion[1], financial consumer protection[2] and national strategies for financial education[3] which have been endorsed by G20 leaders since 2010 also recognise that the integration of these three elements is essential to reinforce the financial system and enhance the financial well-being of individuals.

Financial exclusion affects 2.3 billion working-age adults worldwide. The reasons for this are varied and incorporate both supply-side barriers such as regulatory constraints and geographical barriers, and demand-side barriers including low levels of financial literacy and linguistic barriers.

In some countries, a large proportion of the population is still excluded from financial services. Elsewhere certain groups are particularly likely to face exclusion, including the young, those living in remote areas, migrants and the self-employed.

Within this context, policy makers have recognised the importance of increasing efforts to develop well designed financial education strategies and adequate financial consumer protection measures alongside supply-side initiatives to stimulate financial inclusion. These must be targeted on the relevant groups, and ideally provided alongside access to appropriate products.

Strategic approaches at the national level reflect the international policy interest in financial inclusion, financial education and financial consumer protection and evidence that financial literacy and financial inclusion are associated. National policies are at different stages of development and have been achieved by different means, but many countries now provide a framework for improving financial inclusion alongside financial literacy or for targeting the financially excluded within a financial education framework.

A wide range of financial education initiatives exist in the field to support financial inclusion. These rely on various delivery channels including training courses, television and radio programmes. Initial market research is required to make sure that the delivery approach and the content of the education is relevant for the intended target group.

Several combined financial education and inclusion programmes have indicated that there may be some benefit from educating the whole family, rather than focusing on individuals. However, other

1 http://www.g20.utoronto.ca/2010/to-principles.html

2 http://www.oecd.org/regreform/liberalisationandcompetitioninterventioninregulatedsectors/48892010.pdf

3 The endorsement of these principles by G20 Leaders has also been welcomed by APEC ministries of finance. http://www.oecd.org/finance/financialeducation/OECD_INFE_High_Level_Principles_National_Strategies_Financial_Education_APEC.pdf.

programmes also identify the benefit of empowering individuals (and women in particular) reinforcing the importance of having a detailed understanding of the target group.

Government authorities can find it hard to reach excluded groups, and many have identified trusted intermediaries with access to the target group to deliver financial education. This approach can be effective, providing that the goals of the intermediary are aligned with the financial education goals, and that the staff are properly trained and incentivised to provide financial education.

Programme designers have found ways of overcoming the challenge of low literacy skills through the use of the spoken word, practical exercises and tools. The cost and difficulty of translating materials into local languages may also need addressing, and the sharing of resources is valuable in this regard.

The ultimate intention of financial education for financial inclusion is to support behaviour change. Some programmes have reported positive behaviour changes, but more research is required to identify the impact of specific programmes on behaviour, and to identify the impact of financial education over and above improved access to products.

INTRODUCTION

Financial exclusion is a global phenomenon; estimates indicate that 2.3 billion working-age adults do not have an account at a formal financial institution.[4] It is also high on the policy agenda, with a wide range of supply-side initiatives designed to improve access, and increasing recognition of the importance of tackling demand-side barriers to financial inclusion. In particular, there has been significant appreciation of the role of financial education in improving levels of financial inclusion around the world, as highlighted by three sets of principles, endorsed by G20 leaders: The G20 Principles on Innovative Financial Inclusion; the G20 High-Level Principles on Financial Consumer Protection and the OECD/INFE High-level Principles on National Strategies for Financial Education. Each set of principles identifies the need for a combined policy response through an integrated framework of financial inclusion, financial education and consumer protection. This same triad is also apparent in the Maya declaration (2011), endorsed by regulatory bodies in developing and emerging countries, which includes the commitment to recognise 'consumer protection and empowerment as key pillars of financial inclusion efforts to ensure that all people are included in their country's financial sector'.[5]

In 2010, the G20, recognising the importance of financial inclusion policy across G20 member countries and others, endorsed a Financial Inclusion Action Plan and established the Global Partnership for Financial Inclusion (GPFI) as an implementing mechanism. As such, the GPFI draws together key implementing partners, including the OECD since 2013. The OECD will be particularly involved in the 4th GPFI subgroup created in 2013 which focuses on financial literacy and financial consumer protection. This further indicates the importance of the 'triad' mentioned above.

In addition, the G20 Leaders have called upon the expertise of the OECD/INFE in their June 2012 communiqué, requesting that the OECD/INFE and the World Bank in cooperation with the GPFI deliver further tools to promote financial education and identify barriers to financial inclusion for women and youth:[6]

> We recognize the need for women and youth to gain access to financial services and financial education, ask the GPFI, the OECD/INFE, and the World Bank to identify barriers they may face and call for a progress report to be delivered by the next Summit.

The OECD addressed this call through the work of its INFE and, in particular, the expert subgroups on Financial Education for Financial Inclusion and Empowering Women through Financial Awareness and Education and ongoing work on financial education for youth and in schools.

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4 Centre for Financial Inclusion; *Mapping the Invisible Market* http://www.centerforfinancialinclusion.org/fi2020/mapping-the-invisible-market

5 See http://www.afi-global.org/gpf/maya-declaration

6 The communiqué is available at: http://g20.org/images/stories/docs/g20/conclu/G20_Leaders_Declaration_2012_1.pdf

This global call reflects the need to improve the evidence base and global policy instruments on financial education for financial inclusion. It reinforces the findings of a scan undertaken by the OECD/INFE that suggests that despite a number of organisations with a focus on financial inclusion there has been relatively little data collection or substantive analytical work on the role of financial education in financial inclusion outside of the OECD. Those organisations with an interest in the role of financial education in financial inclusion can be divided into three main types: 1) Organisations that acknowledge the importance of financial education and recommend additional activity but do not undertake policy analysis or development work themselves; 2) Those that fund or implement financial education projects but do not undertake policy analysis or provide policy level guidance; 3) Those that have carried out analytical work, but at a regional level or on very specific issues.

The OECD started working on the demand-side of financial inclusion in 2003, devoting a chapter of its 2005 publication to the importance of financial education for bringing the unbanked and underserved into the financial system (OECD, 2005; see also Box 1).

In October 2010, upon the recommendation of its Advisory Board, the OECD/INFE responded to the continuing need to address financial inclusion issues through demand-side approaches in both developed and less developed countries by creating a new expert subgroup on the role of financial education in financial inclusion.

This OECD/INFE Expert Subgroup on the Role of Financial Education in Financial Inclusion comprises experts from Brazil, Colombia, Egypt, India, Indonesia (Subgroup leader), Mexico, Nigeria, Peru, Philippines, Poland, Portugal, and Turkey.

The subgroup members are committed to developing policy guidance and principles to guide all interested policy makers and other stakeholders. These tools will be based on current good practices, drawing on the knowledge and experience of INFE members[7] and other experts, evidence of the efficacy of existing approaches, data from the 14 countries that participated in the OECD/INFE Financial Literacy Measurement Survey[8], and various reports of challenges and solutions identified.

This report has been developed under the roadmap of the subgroup in order to highlight current evidence on financial literacy and financial inclusion and to describe current policy and practice in order to identify good practices and provide appropriate policy guidance.

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7 In total, 18 authorities from 16 countries responded to a survey of OECD/INFE members on this topic (Table 1, in Annex 1).

8 See Atkinson and Messy (2012).

Box 1. Benefits of financial education for the unbanked

In 2005, the OECD noted several direct and indirect benefits of financial education for the unbanked:

1. Improved understanding of mainstream financial services, and encouragement to avoid non-standard services

2. Deeper understanding of risks and benefits of financial services such as credit

3. Reduced cost of information-search for the unbanked

4. Higher household savings levels

5. Protection against unfair, discriminatory practices, such as predatory lending

6. Reduced cost of money transfers (including the cost of government transfers to individuals).

Defining financial education and financial inclusion

The OECD defines financial education as:

> The process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being (OECD, 2005).

The OECD/INFE has agreed on the following definition of financial inclusion:

> Financial inclusion refers to the process of promoting affordable, timely and adequate access to a wide range of regulated financial products and services and broadening their use by all segments of society through the implementation of tailored existing and innovative approaches including financial awareness and education with a view to promote financial well-being as well as economic and social inclusion.

In this context, financial education for financial inclusion is anticipated to target 1) those with no formal financial products; 2) those using a very limited range of products; and 3) inexperienced, newly included consumers. For ease of reading, in the following report the three target groups are typically grouped under the single heading of 'the financially excluded'.

The range of products and services that can be considered within the definition is wide, and includes basic banking provision, savings and investment products, remittance and payment facilities, credit and insurance. Access to specific products can be seen as one component of financial inclusion; for example the OECD uses the term 'unbanked' to describe individuals without a bank account at a deposit institution and 'underserved' for those who rarely use their account, or don't know how to use it (OECD, 2005).

Financial education is intended to facilitate access and, where appropriate, encourage widening use of relevant financial products and services for the benefit of individuals.

Structure and coverage of this report

This report is split into four sections:

- Section I begins with a summary of existing knowledge about financial exclusion and its relationship with financial literacy, including evidence drawn from the OECD/INFE Financial Literacy Measurement Survey.
- Section II considers the national policy approaches to address financial inclusion through financial education.
- In the Section III, the report looks at some of the practical approaches taken to deliver financial education for financial inclusion, the challenges faced and the solutions found.
- Section IV discusses the main lessons learnt and potential way forward.

Where references are not given, it may be assumed that information was provided directly by the relevant authority or another INFE member from that country.

I. WHAT IS KNOWN ABOUT FINANCIAL EXCLUSION AND ITS RELATIONSHIP WITH FINANCIAL LITERACY

This section discusses the sources of data at a global and national level that are used to monitor and analyse financial exclusion, as well as its relationship with financial literacy and financial education. Common causes and barriers to inclusion are then described, paying particular attention to demand-side barriers that could be addressed through well designed financial education initiatives.

Sources of data

Data on the provision and use of financial products can provide important estimates of the current levels of financial inclusion, and can thus be used to identify countries and regions with high levels of exclusion. Supply-side data help policy makers identify where structural changes are needed, whilst demand-side data have the advantage of providing additional information about the characteristics of the included and excluded, and depending on the questions asked, the actual and perceived barriers to inclusion.

There are several sources of data that compile and compare levels of financial inclusion at the international level:

- **Supply-side** data and estimates of financial access drawing on information provided by regulators; the most recent report from 2010 covers 142 countries (CGAP/World Bank, 2010; see also Ardic *et al.*, 2011).

- **Demand-side** data from OECD/INFE Financial Literacy Measurement Survey currently covering financial inclusion and financial literacy in 14 countries, with additional countries to be added to the database; repeated surveys of the need for, and use of, financial services within households across many African nations, as well as India and Pakistan (FinScope/FinAccess); and a database of survey data on financial inclusion across 148 countries (The World Bank Global Findex) (see Box 2 for further discussion of demand-side data, Box 3 for findings on product awareness and financial literacy from the OECD/INFE Survey and Box 4 for information from Findex about populations facing financial exclusion).

Box 2. Demand-side financial inclusion data

Demand-side data is collected from the users, and potential users, of financial services. It is typically collected via individual or household surveys. It can be particularly useful for identifying the groups of people facing financial exclusion, and the types of products most widely used by different segments of the population.

The three international demand-side data collection efforts described in the text above differ in important ways:

The **OECD/INFE financial literacy measurement survey** is the only internationally comparable survey **combining measures of financial literacy and financial inclusion of individuals**. It collects information about product awareness, use and choice using a list of product types that is provided at the national level, and includes selected questions to develop a measure of financial literacy, enabling analysis of the correlation between financial literacy and financial inclusion. Socio-demographic data is also collected (including age, gender, education, income, work status, marital status and household size).

The **FinScope** questionnaires focus explicitly on access to financial services, including the **barriers faced by individuals and current product usage**. Questionnaires across countries are similar, but are not designed to be internationally comparable. Additional data is collected on socio-demographics and economic circumstances to facilitate analysis of segments facing financial exclusion to guide national policy. Some questions could potentially be used to give an indication of certain aspects of financial literacy, but they are not intended for this purpose and would not provide a comprehensive overview.

The **Findex** measure captures **information about the use of certain financial products** amongst individuals (a cash account – for saving and receiving salary, etc; microfinance savings or loans; other loans; and health or livestock/crop insurance) and is comparable across countries. The survey asks some questions about the use of financial products (such as deposits and withdrawals in a current or use of loans), and includes socio-demographic data (age, gender, education and income). It does not include questions that could indicate levels of financial literacy.

Furthermore, under the aegis of the G20 Global Partnership for Financial Inclusion, a Data and Measurement Task Force serviced by AFI, CGAP and IFC (WB) have developed a first core set of Financial Inclusion Indicators. This first set of indicators focuses mainly on the supply side whilst a second set of indicators is being developed in 2013 by CGAP, IFC, OECD and World Bank, focusing on core innovative approaches, quality of products, financial literacy and consumer protection.[9]

Whilst there are various international efforts underway to measure financial inclusion, national measures are currently patchy and lack comparability. Each country has its own unique combination of macro-level data, supply-side data and information about product use; and some have little or no data to draw on. Countries such as *Peru*, for example, are data rich; Peru has detailed supply-side information about the number of POS per 100,000 adults and per 1,000 km, number of branches, agents, and ATMs, whilst financial literacy and financial inclusion has been captured from a demand-side perspective through the use of the OECD/INFE Financial Literacy Measurement Survey. Elsewhere, as in *Romania* and *South Africa*, there are no official indicators of supply, but national surveys provide information about the use of products and, in the case of South Africa, levels of financial literacy. Other countries, such as the *Philippines* currently rely on data from banks to provide information about usage.

[9] G20 Communiqué, Meeting of Finance Ministers and Central Bank Governors, Moscow 15-16 February 2013

The correlation between financial literacy and financial inclusion

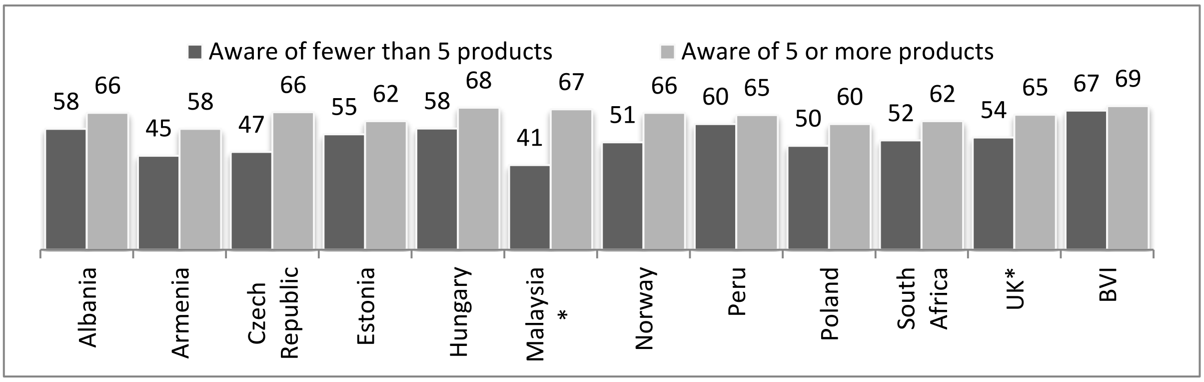
The data from the OECD/INFE Financial Literacy Measurement Survey creates a unique opportunity to describe the extent to which individuals are financially included, and provides the possibility to explore empirically whether inclusion is associated with financial literacy. The data includes information about products chosen in the last 2 years (whether or not the respondent still held that product at the time of interview) using a nationally relevant list of products. In all countries surveyed, average levels of financial literacy were higher amongst those who had made a recent product choice than those who hadn't. In some cases the difference in averages was more than 20 points out of 100 (see also Box 3 for discussion of the association of financial literacy and product awareness using findings from the OECD/INFE data).[10]

Box 3. Correlation between financial literacy and financial inclusion: analysis of the OECD/INFE data

Awareness of the products available within a country is an important pre-requisite for financial inclusion. The indicator used in Figure 1 draws on a multiple response survey question that asks whether the respondent has heard of various types of products. The list of product types used in this question is tailored to the national circumstance. The indicator identifies those who were aware of at least 5 of the product types listed.

Figure 1 shows the average financial literacy score in each country for those who had heard of fewer than 5 product types (left hand column for each country) compared with those who had heard of at least 5 product types (right hand column) from a long list of products provided during the interview. In all countries, people who were aware of at least 5 financial products had higher levels of financial literacy than those who were less aware. This is true both for individuals in countries where most people have an account with a formal institution such as the Czech Republic and in the 4 countries analysed where fewer than 60% of the population are formally included (Albania, Armenia, Peru, and South Africa).[11]

Figure 1. Average financial literacy score by product awareness



Source: Atkinson, A. and F. Messy (2012), "Measuring Financial Literacy: Results of the OECD / International Network on Financial Education (INFE) Pilot Study", OECD Working Papers on Finance, Insurance and Private Pensions, No. 15, OECD Publishing. Base: all respondents. Value labels provide average (mean) financial literacy score for each group, rescaled score: maximum=100. Germany and Ireland have not been included as they had too few respondents who were not aware of 5 financial products to make meaningful comparisons. * The UK and Malaysia had fewer than 50 respondents who were not aware of 5 financial products and so comparisons should be taken with caution.

10 Further analysis is available in OECD (2013b, forthcoming).

11 Percentage formally included of population age 15+ utilising data from the World Bank, Global Findex, 2011. No data available from this source for Norway or British Virgin Islands.

Analysis of the financial literacy data by gender also shows that women have lower levels of knowledge than men and nowhere were women more likely to be active financial consumers than men (Atkinson and Messy, 2012 and OECD, 2013b, forthcoming). Improved financial knowledge may help women to become financially included.

The causes of financial exclusion and the role of financial education

Financial exclusion is a multi-faceted problem affecting varying proportions of the population in each country. In less developed countries, most people face financial exclusion, whilst in developed countries a small(er) proportion of the population is affected but the consequences can be particularly negative and often costly for those who are excluded. It is important to identify the various causes of financial exclusion and the groups of the population who are most likely to be affected in order to develop effective financial inclusion policies and identify the role of financial education.

At its most basic level, financial exclusion is a sign of market failure, comprising both supply- and demand-side factors. Identifying the causes of this market failure can be complex, although there is now a wealth of information available and some common themes emerge.[12]

Supply-side factors that have been shown to reduce the access to, and use of, formal financial products include:

- **Regulatory constraints.** It has been argued that, in some cases any benefit of regulation is implicitly restricted to the population already banked and does not facilitate further inclusion. Some national regulatory frameworks can limit the ability of financial providers to attract new clients, imposing costs that would not be recuperated in the short term. Unreasonable and inconsistent Know Your Customer (KYC) rules and risk-averse application of such rules can also prohibit access in some cases.

  Rules such as KYC may disproportionately impact on the supply of products to certain groups of the population, such as youth or migrant workers.

- **Availability of competing financial services with no, or limited, financial consumer protection requirements.** The supply of services such as cheque-cashers, doorstep lenders and savings and loans clubs can appeal to otherwise excluded customers, but may impede any move to more appropriate products as consumers get caught in the cycle of rotating credit, or face repayments that are too large to manage.

- **Prohibitive market factors.** In some economies the financial market is very new, there are few providers and supply is low. Elsewhere, even when the market is more mature certain providers have been seen to exclude some sections of the population with actions such as: preventing access for those with no credit record; charging high fees for basic transactions such as withdrawing money; designing terms and conditions that exclude large proportions of the market (including the requirement for high minimum balances); and marketing activities that favour certain groups.

  Exclusionary actions may reflect a concern amongst private sector institutions that certain groups of the population are unprofitable or high risk.

[12] Selected papers and research reports describing financial inclusion barriers are listed in the Reference section. Further information is drawn from a 2012 survey of INFE members.

- **Geographical/physical barriers.** Traditionally, individuals have accessed financial services in physical branches. However, in some developed countries, financial services providers have closed many branches in rural or low-profit areas, creating a barrier to continued use. In other countries, the physical infrastructure is poor and it is considered impractical to provide branch services in isolated areas, resulting in large numbers of underserved locations. The practicalities and security issues of transporting cash to remote branches and storing it securely may further reduce the supply of financial services in some less stable regions.

- **Infrastructure and connectivity barriers.** The physical and geographical barriers discussed above have to some extent been addressed through the application of information technology. However, the advent of innovative supply-side solutions to financial inclusion now means that individuals and communities are increasingly dependent on technology such as mobile telephones and computers to access financial services. Certain communities are likely to be excluded where electricity is not available, hardware is in short supply or networks are limited. A lack of reliability of such services (such as problems with network outages or insufficient data security) and the provision of services that are not mutually compatible may also reduce effective financial service supply.

Responses to the survey of INFE members indicate that geographical barriers and the lack of physical infrastructure represent relatively widespread barriers to financial inclusion, creating prohibitive costs to access in terms of both time and money. Inappropriate products, restrictive terms and conditions, and high fees also create barriers in some of the responding countries in spite of technological progress (see Box 8 for an example of progress being made in this area). The KYC rules on identification and documentation are particularly problematic for certain groups, including those who cannot prove their birth or current address, those who have never registered for a national identity card or passport, and those who have arrived in a country illegally.[13] In some cases, the cost of gathering together sufficient forms of identification can be a barrier in itself.

All of the supply-side factors can impact on the extent to which individuals want to, or are able to become fully included. Some of these – such as high fees and strict credit referencing – may cause people to alternate between inclusion and exclusion. In addition, several demand-side factors can lead to or prolong exclusion, including:

- **Financial vulnerability caused by personal circumstances.** Issues such as a lack of money/resources, impaired or no credit history and unemployment can leave individuals unable or unwilling to access financial products. Low or intermittent income will almost certainly compound any exclusionary impact from the supply-side factors relating to product design, such as high fees or high minimum balance. Individuals in this situation often resort to informal products such as loans from moneylenders, but reliance on such products can effectively tie people into poverty, potentially exacerbating this vulnerability. Some individuals also prefer to operate in cash in order to control their budget, particularly when income and outgoings are unpredictable.

  Vulnerable personal circumstances may also reduce the likelihood of experiencing key trigger moments for interacting with financial services, such as starting work or buying a home.

[13] The Financial Action Task Force has developed guidance on anti-terrorist financing measures and financial inclusion (February 2013) which includes guidance on Know Your Customer approaches. http://www.fatf-gafi.org/media/fatf/documents/reports/AML_CFT_Measures_and_Financial_Inclusion_2013.pdf

- **Low levels of financial literacy.**[14] Research shows an association between financial literacy and financial inclusion (see previous section). A lack of awareness in relation to the different types of financial products and whether or not they meet particular requirements, a low level of confidence, and certain attitudes and behaviours that inhibit use of, and trust in, formal financial products create barriers to access. Poor knowledge of how products work and their likely costs also reduce the likelihood of inclusion. The same issues may also prevent individuals from making full use of their existing products.

  Low levels of awareness about important mechanisms designed to increase trust and protect consumers, such as deposit insurance or consumer protection, may also reduce the demand for appropriate products.

- **Reduced social and technological inclusion.** Circumstances such as migrant status, lack of familiarity with certain technologies (cash machine/ATM, internet, mobile banking); and/or poor language skills can leave people isolated from a range of services, including those from financial service providers. In some countries discrimination and perceived discrimination has also been identified as a barrier to financial inclusion for certain groups.

- **Cultural and psychological barriers**. Personal and cultural preferences and religious beliefs can limit the number of products or providers that meet an individual's need. A lack of trust in financial service providers can also create a barrier to financial inclusion, although this may equally be a supply-side barrier if the financial consumer protection framework is weak, or if there are concerns about financial stability or insolvency.

- **Linguistic or educational barriers**. Some individuals find it hard (or impossible) to deal with financial service providers either because they do not speak the same language, or because they are unfamiliar with the terminology used by the financial sector. Such barriers can be exacerbated amongst those with low levels of general education, including those with limited literacy and/or numeracy.

An international survey of 301 financial service providers, investors, and members of support organisations confirmed that low levels of financial literacy are most likely to be considered a major barrier to financial inclusion. The report notes that 'Respondents view financial literacy as an enabling factor that unlocks other key dimensions of financial inclusion' (Gardeva and Rhyne, 2011).

Financial education clearly has a role to play in overcoming several of the barriers mentioned above. Financial education can improve levels of financial literacy, help individuals to overcome financial vulnerability caused by personal circumstances and potentially breakdown psychological barriers. It can also help people to learn about technological innovations aimed at reducing geographical barriers. However, education will not work in isolation. Financial consumer protection and well-designed regulation, as well as incentive mechanisms to encourage behaviour change should all be considered important parts of the overall policy toolkit to improve financial inclusion.

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[14] Financial literacy of adults is defined as 'a combination of awareness, knowledge, skills, attitude and behaviours necessary to make sound financial decisions and ultimately achieve individual financial wellbeing' (Atkinson and Messy, 2012).

Groups facing financial exclusion

Given the supply and demand barriers discussed above, certain sectors of the population are particularly vulnerable to financial exclusion. In developing countries and emerging economies with underdeveloped financial service sectors, it is often the case that the majority of the population is still excluded from mainstream financial services (Box 4).

Box 4. Populations most at risk of exclusion

The Global Findex (2011) indicates that the levels of financial inclusion vary around the world, with the highest proportions of financially excluded adults most likely to be found in countries with high levels of poverty or inequality, including much of Sub-Saharan Africa (Findex data suggests that only 24% of individuals aged 15 and over in developing countries within Sub-Saharan Africa have an account in a formal financial institution). A large proportion of the worlds' excluded adults are also found in the large, rapidly developing BRIC countries such as India (65%), Russian Federation (52%), Brazil (56%), and China (36%).[15]

Within countries, existing data from a variety of sources suggest that the financially excluded are most likely to be *rural inhabitants*, and those with *low or unpredictable incomes*. Individuals with *low levels of education* and *women* are both overrepresented amongst the financially excluded.

Elsewhere, particular segments of the population are more likely to be excluded than the population as a whole. In *Australia*, for example, remote parts of the country lack physical infrastructure. A community can be as much as 300 kilometres from an ATM, making most common types of access to financial services practically impossible, and causing financial exclusion amongst these remote, and typically indigenous, communities (Box 5).

Box 5. Australian national data on the causes of financial exclusion, and the groups affected

In 2012 Australia published its second annual measure of financial exclusion (NAB, 2012).[16] This quantitative research provides detailed information about the extent to which households are accessing financial products and identifies the barriers to access. It indicates that the cost of holding financial products relative to household income is an important barrier: the average cost of basic financial services in Australia is more than 10% of annual income for almost one quarter (23%) of the population. The data also allows analysts to look at who is most likely to face financial exclusion. It shows that indigenous households are over-represented amongst the excluded and are more likely to be users of fringe credit. Exclusion is also higher for those with low levels of education, and young people aged 18 to 24.

The quantitative research is complemented by a detailed qualitative study of a sample of individuals identified during the data analysis as being financially excluded, in order to better understand the reasons why they do not access financial products. This shows that the primary problem with accessing a bank account is the inability to provide identity documents; and that this problem is more common amongst indigenous populations.

15 Percentages in brackets refer to the percentage of individuals aged 15+ *without* an account in a formal financial institution, according to data from Findex 2011.

16 1.1% of adults were fully excluded (they had no financial services products) and 16.1% of adults were considered to be severely excluded (they only had one financial services product).

In countries such as the *Netherlands*, *Spain* and *Switzerland*, the financial inclusion of individuals and households is not a policy priority, due to very high levels of formal product holding within the countries. However, research suggests that there are still small segments of the population that are vulnerable to exclusion (both financial and social) in such countries, particularly those with disabilities, the very elderly, new immigrants, people who face financial difficulties or over-indebtedness and those with very low levels of education.[17] There is also recognition of the need to support access to credit for new entrepreneurs in such countries: for example the Dutch Committee for Entrepreneurship and Finance promotes entrepreneurship by encouraging expanded coaching and small loans to entrepreneurs starting or running businesses in the Netherlands.

In many countries, new immigrants and migrant workers have low incomes, and some may face additional barriers such as lack of formal identification papers, limited language skills or cultural preferences that also make them prone to being excluded from the formal financial sector. At the same time, they often have an urgent need for financial saving, remitting and credit products, putting them at risk of informal or even illegal providers.

It is also noteworthy that in many of the countries where financial exclusion is highest, self-employment is an important source of income. In such countries, financial inclusion is a valuable tool for self-supporting individuals and potential entrepreneurs to store cash safely and access small amounts of capital to invest in business ideas, to buy stock or to continue to build their business. Yet such people often face difficulties accessing financial products: they are unlikely to have property to offer as security against a loan, they will have little or no current income and they typically live in rural areas or poorer urban quarters with limited access to local formal financial service providers. Identification requirements may prove to be an additional hurdle for people with little interaction with formal services.

[17] See for example Employers Forum on Disability, 2007.

II. FINANCIAL EDUCATION POLICIES FOR FINANCIAL INCLUSION

There is global policy interest in increasing financial inclusion and recognition of the need for complementary policies on financial education and financial consumer protection, as discussed in the introduction to this report.

> "Globally, the triad of Financial Inclusion, Financial Literacy and Consumer Protection has been recognised as intertwining threads in pursuit of financial stability. For any kind of stability, whether financial, economic, political or social, inclusive growth is an essential prerequisite. Inclusive growth, in turn, is largely driven by financial inclusion and an inclusive financial system."
>
> Dr K.C. Chakrabarty, Deputy Governor of the Reserve bank of India and Vice-Chair of INFE, 2012

The surging global interest in financial education for financial inclusion is reflected in national policies, and also contributes to such policies; many governments are now addressing the financial inclusion and financial education needs of their populations through co-ordinated strategies designed to tackle both demand and supply-side barriers to financial inclusion and low levels of financial literacy.

This chapter therefore seeks to describe existing policy approaches to developing financial education as a means of improving financial inclusion, drawing on various publications and the responses to the survey of OECD/INFE members.

National policy responses

It is not uncommon for government authorities to be mandated to address financial inclusion and/or financial education. A 2010 survey of financial regulators from 142 economies showed that 88% had some aspect of financial inclusion, financial education or financial consumer protection in their mandate (CGAP, 2010). In total 45% of economies had a strategy document for the promotion of financial inclusion, 58% had some responsibility for financial literacy, whilst 68% were responsible for consumer protection.

The survey discussed above looked at the role of regulators, but central banks, ministries of finance or other government authorities may also develop and implement financial education and financial inclusion policies. These authorities may have a particular focus on specific aspects of the process; for example a department focused on social assistance or education may be interested in increasing access and financial literacy amongst the recipients of conditional cash transfers whilst a department for rural affairs may be concerned about the lack of financial services and know-how amongst isolated communities.

The policy aims of financial education for financial inclusion are typically to **strengthen an emergent financial service sector**, or to **provide consumers with the protection and skills they need** to operate within the existing financial market in a way that promotes their own financial well-being and opportunities. The ways in which governments are currently meeting these aims depend on a number of historical factors – including the stage of development of any relevant strategies – but typically reflect one of the following approaches:[18]

1. A strong focus on **improving financial inclusion at a national level**, with recognition of the importance of financial education and consumer protection in addressing demand-side barriers. This may be operationalised as one strategy, or as two or more strategies with close links. This approach is seen in several countries with relatively large proportions of the population who are excluded, such as *Brazil* (see Box 6), *Mexico*, *India*, *Indonesia,* and the *Philippines*, and to a more limited extent in those with high levels of financial inclusion, such as the *UK* and *Ireland*, as described below. *Turkey* is also working towards this approach by consolidating three strategies under the Financial Stability Committee headed by the Deputy Prime Minister.

2. A focus on **promoting financial education across the population as a complement to financial consumer protection**, with targeted interventions for the financially excluded. *Australia*, *Portugal* and the *US* are currently using this approach. *Pakistan* has also recently formulated its financial education plan in this way.

Whilst common patterns emerge, each country has a unique mixture of authorities and strategies supporting efforts to strengthen markets and support financial consumers. However, co-ordination across authorities and stakeholders is a key element in many countries, as highlighted in the Latin American examples below from *Brazil* (Box 6), *Mexico* and *Peru* (see also Box 7 for further discussion of several countries including some in Latin America). The support of a key politician has also been identified as beneficial in several countries.

Financial inclusion has been a goal of the Mexican National Development Program since 2006. In May 2011 the Mexican Financial Education Committee was created, chaired by the Ministry of Finance. Development has continued, and in September 2011, the Mexican President announced the creation of a National Council on Financial Inclusion composed of public financial sector authorities. This new Council is designed to ensure a mechanism for implementing the Mexican financial inclusion strategy and co-ordinate with the Financial Education Committee.

[18] See also the publication Russia's G20 Presidency-OECD (2013), Advancing national Strategies for Financial Education. http://www.oecd.org/finance/financial-education/G20_OECD_NSFinancialEducation.pdf.

Box 6. Recognising the importance of financial inclusion and financial education in Brazil

Financial inclusion has been a goal of the Central Bank of Brazil since the 1990s and was formally made a strategic objective of the Bank in 2010. In 2007, the Brazilian Committee for Regulation and Inspection of Financial, Capital, Insurance, Pension, and Capitalization Markets (Coremec) convened a working group to develop a national strategy for financial education. However, in its first report on financial inclusion in 2010 the central bank noted that the following challenges remained:

> …some challenges may arise in promoting financial inclusion that meets the needs of Brazil's people.[...].: (i) improvement of data on financial inclusion; (ii) wide-scale dissemination of credit services (especially microfinance) and savings; (iii) tailoring supervision mechanisms; (iv) **strengthening the institutional structure of financial education** and of protection of the users' rights. (Banco Central do Brasil, 2010, our highlighting).

The Brazilian government has subsequently created the National Committee for Financial Education (CONEF) to coordinate the actions of regulators, the Ministry of Education and other government bodies (Tombini, Presentation for G20 Ministers' Meeting, 2012).

In *Peru*, the Ministry of Finance, Ministry of Development and Social Inclusion and the Superintendency for Banks, Insurance and Private Pension Funds (SBS) are co-ordinating to develop a National Plan of Financial Inclusion. The aim of this National Plan is to improve financial inclusion, whilst recognising the importance of financial education and financial consumer protection. Various initiatives are already underway to improve financial inclusion, consumer protection and financial literacy. In particular, the SBS is improving the consumer protection framework as well as working to increase consumer awareness and financial literacy. The private sector is involved in the development and delivery of initiatives through the Association of Banks, developing financial consumer awareness through the use of plain language.

Box 7. The risk of financial inclusion without education

Several countries, including Brazil, India, Indonesia, Mexico and the Philippines, have recognised that there are risks involved in creating new opportunities for consumers if they are not proficient at making financial decisions and/or the products and innovations are poorly regulated and inconsistently monitored. In addition, they recognise that the demand-side barriers, such as very low levels of financial awareness and confidence of financially excluded groups continue to prevent widespread inclusion irrespective of the health of the market. Policies that focus entirely on changing the supply of financial products and services leave excluded consumers ill-informed, vulnerable and unwilling to participate in financial markets.

Research between 2002 and 2009 on the experience of inhabitants of Autazes, a region in Brazil, found that individuals who had previously had no access to financial services found themselves able to access not only payment products, but also credit through payroll loans. Due to a lack of adequate credit regulation and lack of choice, new and uninformed consumers were making decisions that left them extremely vulnerable to over-indebtedness. Interviewees noted that they lacked knowledge of the operational aspects of the financial services as well as the norms and rules of the financial system. The authors conclude that "To overcome the tensions and restrictions related to people's high indebtedness and the lack of information, we think that some sort of educational action will be needed, encompassing necessities of the local actors and characteristics of financial services" (Diniz *et al.,* 2011).

As highlighted in the following Asian examples, strategy documents and legislation are also seen as key components in developing national policy responses to financial inclusion and financial education.

Indonesia has a National Strategy for Financial Education under the National Strategy for Financial Inclusion, launched in June 2012. This states that financial education will focus on increasing the level of knowledge among communities regarding financial products and services and financial management, and provide information on consumer protection.

In the *Philippines*, the Financial Consumer Affairs Group of the Central Bank (BSP) is involved in both the development and delivery of a range of messages and initiatives aimed at strengthening financial education and consumer protection. These include the Financial Empowerment Course for students and workers, which incorporate financial education expos, where separate booths address issues such as choosing financial products and consumer protection and assistance mechanisms. The Philippines established a National Strategy for Microfinance in 1997 and in 2007 developed a dedicated financial inclusion office within the BSP, the Inclusive Finance Advocacy Staff.

Legislation in *Malaysia* means that the central bank (Bank Negara) treats financial inclusion as one its primary functions. The central bank sees 'financial literacy, advisory and awareness' as one of the five pillars necessary to develop an inclusive financial sector and addresses this pillar through a range of provision including guidelines on financial education, debt counselling services and help desks.

India explicitly combines financial education and financial inclusion at all points of its draft National Strategy for Financial Education; stating that its mission is 'to undertake massive finance education campaigns to help people manage money more effectively to achieve financial well-being by accessing appropriate financial products and services through regulated entities with fair and transparent machinery for consumer protection and grievance redressal.' (Reserve Bank of India and Securities and Exchange Board of India, 2012) (for more information about financial inclusion in India, see Box 8).

Box 8. India: Achieving financial inclusion on a massive scale

Indians face many barriers to financial inclusion, including a lack of branches in remote or poorer areas, the lack of formal identification documents, very low incomes, a lack of confidence in financial service providers and low levels of literacy, numeracy and financial literacy. On top of this, banks face a high cost to reaching out to excluded populations and limited profit opportunities in the short term, as many of the potential clients have limited money to pay into financial institutions. These challenges are being tackled through a multi-pronged approach led by the government and the Reserve Bank of India (RBI). The approach is multi-stakeholder, including regulatory bodies, banking associations, schools, NGOs and civil society.

The RBI issued a directive requiring banks to draw up plans to provide bank services to rural areas with a population of at least 2,000. A banking service may be provided through either a branch or a 'business correspondent' i.e. an individual bank agent providing banking services door-to-door in unbanked areas through various devices such as mobile phones and micro ATMs. At least 4 products must be provided by the banking services in order to meet the conditions set by the RBI.

Various other changes have been necessary to action the Indian Financial Inclusion Plan. Improved, compatible technology was necessary to connect remote branches to main offices and to process transactions rapidly. Simplified authorization procedures were put in place to allow branches to open, and KYC requirements were relaxed on small accounts, to include simple introduction by someone who could prove their identity. Furthermore, widespread roll-out of unique identity numbers using biometric data has offered a unique opportunity for financial service providers to accurately identify their clients without the need for further documentation, and increase account security. Financial literacy initiatives have also been seen as key to addressing lack of confidence and knowledge about financial products and their uses; these have been delivered through a wide variety of channels, including schools, road shows, pamphlets and films.

The plan is still on-going. In 2011, 53,180 villages with a population of more than 2,000 had been covered, and a further 46,443 smaller villages with over 74 million no frills accounts opened.

External, non-governmental organisations can also provide valuable impetus in developing policy responses, as seen in the following examples in Africa. Financial inclusion is recognised as an important component in the drive to increase prosperity across Africa, and some countries, such as *Ghana*, *Kenya* and *Malawi* already have combined strategies and initiatives in place to develop financial education, consumer protection and financial inclusion (Messy and Monticone, 2012).

In *Lesotho*, the government's three year joint programme, supported by UNCDF and UNDP aims to stimulate financial service providers to offer pro-poor products as well as to facilitate access to financial services for women.[19] The Ministry of Finance has formulated a national Inclusive Finance Strategy that addresses different approaches to promote consumer, financial education and promotion of microfinance, micro-insurance and support the development of an enabling environment. It is working together with various stakeholders on the formulation of a national strategy that will combine financial education and consumer protection with financial inclusion.

Strategic approaches are also evident in countries where levels of financial inclusion are high relative to international norms. In some countries, such as *Ireland* and the *UK*, financial inclusion is explicitly

[19] http://www.uncdf.org/lesotho & http://www.undp.org.ls/practice/SUFIL.pdf

tackled, whilst others (such as *Portugal*, below) tackle financial inclusion within the financial education policy agenda.

In *Ireland* and the *UK*, financial exclusion is seen to reinforce overall social exclusion and exacerbate disadvantage. In Ireland, a Steering Group on Financial Inclusion recently developed a national strategy to achieve a substantial reduction in financial exclusion over a 3-5 year period; this strategy includes the piloting of a basic bank account and recognises the relevance of financial education in overcoming financial exclusion and the importance of a parallel financial education strategy framework.[20] The UK has a Financial Capability Strategy and, until 2011, had a separate Taskforce on Financial Inclusion which funded work and appointed Financial Inclusion Champions to increase access to financial services in deprived communities and promote access to financial education and advice.

The *Portuguese* National Plan for Financial Education shows how a national approach to financial education can be used to tackle aspects of financial exclusion. The National Plan includes an objective to improve awareness of the Minimum Banking Services (access to a basic bank account) that have been in place since 2000 and revised in 2012 (see Box 9). In the *US*, the National Strategy for Financial Literacy[21] identifies the unbanked as a potential target group, whilst the *Australian* National Financial Literacy Strategy recognises the role of improved financial literacy in preventing financial exclusion.[22] The National Strategy for Financial Literacy in the *US* explicitly includes a call to 'strengthen connections among those working on financial education, financial access, and asset building strategies to improve effectiveness of each.'

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20 See http://www.finance.gov.ie/documents/publications/reports/2011/Fininclusreport2011.pdf & http://www.financialeducation.ie/standardbankaccount According to data from EU SILC, 17% of households in Ireland were unbanked in 2008.

21 http://www.treasury.gov/resource-center/financial-education/Documents/NationalStrategyBook_12310%20(2).pdf

22 http://www.financialliteracy.gov.au/media/218312/national-financial-literacy-strategy.pdf

Box 9. Portugal: basic banking services at low-cost

In Portugal, household customers have access to a range of banking services deemed essential at a relatively low cost. The condition to access this regime is that consumers hold a single current account. The so-called basic banking services include the opening of a current account, the provision of a debit card and direct debits, and the access to the operation of the basic banking account through ATMs, home-banking service and credit institution's branches. These banking services are made available by credit institutions that voluntarily decide to provide them. Although it works on a voluntary basis, the credit institutions that decide to join this regime must comply with the rules.

Credit institutions cannot charge fees for basic banking services that annually exceed 1% of the monthly minimum wage. Consumers may acquire other banking products or services not included in the basic banking services package, such as term deposits, transfers or credit products, but for these products they are subject to the fees in force in the credit institution.

Credit institutions must inform the public that they provide basic banking services through the disclosure of a notice at their branches and websites. In order to reinforce the dissemination of the basic banking services and promote financial inclusion, the information on these services is widely publicised on the National Plan for Financial Education website – www.todoscontam.pt – and the Bank Customer website – www.clientebancario.bportugal.pt. Also, financial education lectures on basic banking services and household budget management are organized for trainers working in institutions that deal with vulnerable groups of the population.

III. FROM POLICY TO PRACTICE

This section considers the approaches taken and lessons learned when turning financial education and financial inclusion policies into practice. It describes existing practice in the implementation of financial education in Part A, including target groups and the content of such education, and then the section goes on to summarise some of the main challenges faced and solutions found (Part B).

Whilst governments are certainly tackling financial inclusion at a strategic level, there is relatively little documentation about the financial education components of such strategies. This section therefore draws on a wide range of information, including various case study reports and international efforts including those undertaken within the Russian Trust Fund for Financial Literacy[23] and the Financial Education Fund programme (FEF, a challenge fund provided by the UK government through its Department for International Development), as listed in the reference section. Some of these initiatives have been developed and/or implemented within a strategy, whilst others are standalone. Evaluation evidence is still relatively sparse, and so discussion focuses largely on the implementation, rather than effectiveness of such initiatives.

A. Existing Practice

Targeting groups that are largely excluded

Financial education aimed at the financially excluded typically targets low-income groups, including rural, isolated or disadvantaged populations, micro-entrepreneurs, the young and women. Some programmes also seek to reach the elderly, indigenous populations, ethnic minorities, migrants and parents. With the possible exception of parents, these target groups reflect the findings of research identifying those most vulnerable to financial exclusion.

It is not uncommon for programmes to target several groups (such as ethnic minorities and indigenous populations), or groups made up of several characteristics (such as unbanked, rural inhabitants or female entrepreneurs).

Low-income groups

As financial exclusion is an important component of social exclusion, marginalised, and typically poor individuals are an important target group for financial education and financial inclusion (see Box 10). The Global Financial Education Program, a strategic partnership between Microfinance Opportunities (MFO) and Freedom from Hunger, for example, provides financial education targeted at those on very low incomes: specifically in developing countries.[24] It appears to focus primarily on those with no formal products.

[23] www.finlitedu.org.

[24] www.globalfinancialeducation.org

The Global Financial Education Program curriculum covers budgeting, debt management, saving, and banking services. It also includes the following topics, showing the overlap in education for this group and education aimed specifically at the young or migrants (see paragraphs below):

- Financial Negotiations: Communicate with Confidence
- Young People: Your Future, Your Money
- Remittances: Make the Most of Them
- Risk Management and Insurance: Protect Your Family's Future
- Consumer Protection: Balancing Rights and Responsibilities

Box 10. A new project targeting the ultra-poor in Pakistan

The World Bank (WB) has engaged the Pakistan Microfinance Network to undertake a financial literacy and inclusion project targeted at cash transfer recipients in the two government schemes Benazir Income Support Programme (BISP) and the Citizen Damage Compensation Program (CDCP) (Ali *et al.*, 2012). This project is in its initial stages.

The BISP is a large cash transfer programme operated by the Government of Pakistan transferring money to 4.17 million ultra-poor families throughout the country. The CDCP is a targeted programme to benefit individuals affected by severe floods in 2010.

Cash transfers are seen as an important vehicle for promoting financial inclusion in the country, which is currently extremely low by international standards (only 10% of individuals aged 15+ had an account at a formal financial institution in 2011 according to Findex data).

The ultra-poor are recognised as an important target group for financial literacy in the country, as they are managing on very low, unpredictable, irregular incomes, and they have little or no experience of the technology being used to deliver electronic payments and other financial services such as debit cards and mobile banking. Existing evidence suggests that their knowledge of financial terms and concepts is also very low.

A mapping exercise in Pakistan suggests that this group is not yet catered for with existing financial education provision, hence the WB project. However, lessons from existing national projects provide some valuable guidance for working on financial literacy in the country:

- Messages should be short, simple and concise. Long modules should be avoided.
- Participants may be more willing to commit if they are charged a nominal amount (although it is recognised that this may not be feasible with the lowest income groups).
- Positive messages about the benefits of financial literacy should be shared before, and during the training to help to retain participants facing a high opportunity cost of participation.

The young

Research indicates that young adults are more likely than average to be financially excluded; they also typically have financial literacy levels below those of older generations and some exhibit behaviour such as excessive credit use that may result in their exclusion in the future (see for example Atkinson, 2004; Atkinson and Messy, 2012). Those who are included will still be inexperienced and probably only have access to a limited range of product types. Furthermore, many parents are also financially excluded, and may not have considered the discussion of financial matters to be an important part of raising children. This is exemplified by a quote from a mother whose daughter participated in the Princess Account, a project supported by the FEF 'I would not have taught my daughter that. It was very touching... if we had this opportunity early in our lives, we would have been better people' (FEF, undated). Young people approaching adulthood are therefore an important target group for financial education initiatives designed to strengthen financial inclusion. Furthermore, projects aimed at young people still living at home can also effectively reach their parents and other family members.

Portugal provides a number of examples of financial education programmes that touch on financial product use aimed at children and young people, many of whom will be accessing products for the first time. These include classroom provision, exhibitions and websites. Combined financial inclusion and financial education for young people is also one of the aims of Child and Youth Finance International, which facilitates the sharing of resources and aligning of current practices across a wide range of organisations around the world.

College students are also targeted in programmes such as the 'Be a Wise Saver' campaign in the *Philippines* which addresses the overlap between inclusion, consumer protection and education. The programme aims to encourage students to know their bank's services and fees; be cautious; and transact only with authorised bank personnel inside bank premises. Box 11 provides another example of a programme designed to improve savings attitudes and behaviour.

Box 11. Children's saving behaviour in Ghana

Innovations for Poverty Action (IPA) has been evaluating two programmes designed to encourage children in Ghana to save (an important first step in improving levels of savings within the formal sector). The first programme, developed by Aflatoun, teaches children about values alongside financial education, whilst the second focuses entirely on financial education.

The evaluation used random assignment to unpick the extent to which the programmes could be said to cause change. 135 schools were randomly assigned to each of three different groups: the Aflatoun programme, the second intervention (known as the Honest Money Box), or a comparison group that were not provided with a programme.

Data on financial well-being of students and their families, cognitive function, and perspectives on savings and time and risk preference were collected before and after the programmes. After one year, both programmes were shown to increase levels of saving and decrease appetite for risk. The Honest Money Box also increased positive attitudes towards saving and work. This does not appear to be related to financial knowledge (which did not increase), but instead reflects new habits, which the authors suggest may be a result seeing saving as a social activity (Innovations for Poverty Action; various sources including http://www.poverty-action.org & http://www.aflatoun.org/docs/publications).

In some countries, young girls are specifically targeted with financial education related to financial inclusion, such as programmes designed to encourage savings or entrepreneurship. The successful Safe and Smart Savings Products for Vulnerable Girls in *Kenya* and *Uganda* is a good example of such a project, providing training and access to savings products alongside general financial education to increase confidence and change behaviour (Messy and Monticone, 2012).

Girls in *Uganda* have also benefited from another financial education programme aligned with savings products. Between October 2009 and August 2012, Girls' Choice Product in Uganda successfully encouraged 4,388 girls to use a specially designed savings account (Reinsch, 2012). According to Reinsch, amongst the lessons learned from the project was the importance of involving young people in all stages of programme development and roll-out to make sure that activities were aligned with their 'needs and availability'.

The Ugandan Girls' Choice project also shows clearly the spillover effects of educating children – with 926 additional accounts opened by the parents and guardians of the participating girls. This was almost certainly achieved because the project actively encouraged parents to be ambassadors for the programme and encourage saving amongst their daughters.

Entrepreneurs

Entrepreneurs are seen as an important target for supply-side initiatives designed to improve financial inclusion: most notably in relation to microcredit.[25] There is also growing awareness that the self-employed and would-be entrepreneurs need financial education. Sometimes the financial service providers themselves deliver such education, as noted in the previous section. In rural and marginalised states of *Mexico*, for example, potential female entrepreneurs are being supported by a not-for-profit microfinance institution, SEFIA Servicios Financieros Alternativos (SEFIA, 2006). SEFIA works at a community level, emphasising savings over credit, and providing financial education, training and technical assistance to clients and their micro-enterprises. In the *Democratic Republic of Congo*, Rawbank runs a programme for small and medium sized businesses that is targeted particularly to women (the programme is called Lady's First). This aims to improve financial inclusion and financial literacy, whilst also enabling women to build networks, and access legal aid and advisory services.[26]

There is also some overlap between financial education aimed to include youth and that aimed at entrepreneurs and entrepreneurial skills. In a recent development in *Nigeria*, for example, the Credit Awareness Nigeria and Ajapa World signed a Memorandum of Understanding (MoU) to spread financial education for youths and children in Nigeria as part of the Central Bank of Nigeria's (CBN) financial inclusion project. The organisation will aim to "fill the gap in the financial inclusion project by teaching youths and children of the need to save and learn entrepreneurial skills at a young age.'" (This Day, February 22, 2013; Lagos)

The micro-lending site, Kiva, also has a variety of not-for-profit field partners that incorporate financial and enterprise education with the provision of loans. These include a programme by Asociación Arariwa in *Peru* that collects loan repayments at monthly meetings and provides interactive education during these meetings using a range of resources including notebooks and films, reinforced through a

[25] The OECD has a Working Party on SMEs and Entrepreneurship which has recently launched Financing SMEs and Entrepreneurs: An OECD Scoreboard (OECD, 2012).

[26] http://www.gbaforwomen.org/page_rawbank-s.a.r.l.html accessed 29 August 2012

radio broadcast aimed at the whole family of the loan recipient.[27] Another project receiving funds through Kiva targets extremely excluded women in India (including those who are widows, transgender, sick or disabled) through People's Forum and Mahashakti Foundation that provides livelihood training alongside access to credit.[28]

Migrants and remittance recipients[29]

Migrants often have an urgent need for financial products in order to manage and safeguard their earnings and send money home. Many rely on informal channels or pay high fees to make transfers through fringe providers because they or their families lack awareness of, and sometimes access to, mainstream remittance products to send and receive money. Some migrants also borrow money in their host country in order to make regular payments to their family when their income is unstable or their local expenses are higher than anticipated.

Initiatives to support this target group with financial education are underway in *Australia* (Box 12 below) as well as various parts of Central Asia, Europe and Southeast Asia. In *South Africa*, there are also education providers working with internal migrant mineworkers. The goal of migrant education initiatives is sometimes to improve money management or savings strategies rather than financial inclusion, but often initiatives provide migrants with information about safe and cost-effective remittance options and savings products.

Some initiatives focus entirely on the workers themselves, whilst others aim to provide education to the migrant workers and their family in the receiving country or region. A recent project in Indonesia sought to educate both the senders and recipients of remittances in order to increase knowledge and change behaviour. A robust evaluation of the project identified a large value-added of educating the recipient families as well as the migrants (Doi *et al.*, 2012).

Yet others programmes target the receiving family. For example, the European Bank for Reconstruction and Development (EBRD) provides financial education to remittance recipients through various projects funded by the Early Transition Countries (ETC) Fund. It is currently working with recipients in *Tajikistan* and the *Kyrgyz Republic*, building on an approach developed for *Georgia* and *Azerbaijan*. The same model has also been used elsewhere, including parts of the Americas, Central America and the Caucasus (EBRD, 2012). Evaluations have shown a large increase in the use of bank accounts amongst participants in *Azerbaijan* (19% of participants opened an account after training) and *Georgia* (12%) leading to deposits of 5 million USD and 2 million USD respectively (the report does not state over what time period). Results were also positive in *Tajikistan* and the *Kyrgyz Republic*, with new accounts being opened and used in both countries (EBRD, 2012).

Qualitative research undertaken in *Northern Ireland* (UK) on the experience of migrant households and their need for financial education found that certain barriers were common to the migrants regardless of legal status, particularly language barriers in the financial institutions, unclear and impossible documentation requirements and a lack of clarity about who can open an account and what type of account they can hold (Gibbs, 2010). The research found that migrants' access to financial

[27] http://pages.kiva.org/fellowsblog/2010/01/17/financial-education-and-microfinance

[28] http://www.kiva.org/press/releases/release_20130114

[29] The OECD/INFE is currently elaborating work on the topic of financial education for migrants.

information and advice was also low. However, whilst the same barriers were faced by most migrants, the extent to which they were able to overcome them depended largely on their legal status.

Box 12. Australia reaching out to new arrivals

The Australian Securities and Investments Commission (ASIC) Credit Outreach Team has developed a credit and debt education project for culturally and linguistically diverse (CALD) consumers (ASIC, 2011). The CALD project aims to address the financial literacy needs of humanitarian entrants to Australia by developing materials for use by agencies in contact with such consumers, and through direct communication channels such as radio. Whilst this programme is not explicitly designed to target financial exclusion, it is clear that one of the potential outcomes will be greater inclusion amongst this vulnerable group.

The CALD project objectives and strategies were informed by research and stakeholder consultation. Key findings included that the financial information and education needs of humanitarian entrants can differ greatly depending on their experiences in their country of origin. Some of the issues faced upon arrival in Australia are:

- Limited money management knowledge and/or skills;
- Vulnerability to predatory lending and/or informal lending arrangements;
- Lack of understanding about rights and responsibilities in a contract situation;
- Uncertainty about where or how to seek help if they have a problem.

There are also issues specific to women and families, in particular around receipt of income support from the government.

The International Labour Organization (ILO) and MFO have also developed a practical training manual for a wide range of trainers to target financial education on migrant workers. This manual recognises the link between financial access and financial education, mentioning the following priority topics for such individuals:

> Above all, migrant workers and their families need to be able to analyze the costs and benefits of migration, set goals and make plans and budgets for realizing them. They need access to affordable and sustainable financial services including credit, savings, insurance and money transfer to help them to achieve their goals in life. Importantly, they need to know how to use these financial services and be able to make informed choices about financing migration costs, about savings and increasing savings capacity, about protecting themselves and their families against risk and abuse, about sending their remittances home and using them for productive investment (ILO, 2011).

The scope of financial education provision for financial inclusion

The skills and behaviours commonly addressed by financial education for financial inclusion include **day-to-day financial management, credit and debt management, long-term financial planning** and **how to use financial services and products**. Attitudes towards saving (see, for example, Box 15) and borrowing are also frequently covered.

Other common topics include budgeting, consumers' rights and responsibilities, insurance, remittances (see Target Populations in the section above for further information on programmes aimed at migrant workers), and retirement. Whilst some topics are of particular interest to certain target groups (such as credit and insurance for micro-entrepreneurs), it is clear that topics are typically chosen in order to provide **a broad foundation of financial literacy** rather than to target specific knowledge or behaviours that may be preventing individuals from accessing appropriate financial products.

Organisations are recently recognising the importance of providing financial education that covers **the use of innovative financial products**. For example, MFO is currently working in four countries on financial education programmes that support the adoption and sustained use of branchless banking among low-income populations.[30] MFO has partnered with FINO Fintech Foundation (*India*), Mobile Transactions (*Zambia*), Opportunity International Bank of *Malawi*, and the Rural Bankers Association of the *Philippines* (RBAP) through its USAID-supported Microenterprise Access to Banking Services (MABS) programme to develop and test the content of such education.

In general, **financial education for financial inclusion appears to focus on the use of financial products** rather than information seeking and decision-making about financial products in general. One exception to this is a programme from the Bank of *Thailand* (BOT) which comprises a brochure and a short film (dubbed into 3 dialects) to warn financial consumers of the dangers of using loan shark services. The materials encourage consumers to apply for personal loans under supervision of the BOT from financial institutions and supervised non-banks as a better alternative if they need to borrow money. The findings of the OECD/INFE Financial Literacy Measurement Survey and national surveys show that few people make well informed financial product choices, suggesting that there may be a wider need for such education to support financial inclusion activities (Atkinson and Messy, 2012).

Identifying appropriate delivery channels

In some circumstances, it is beneficial to design programmes that impact on a large proportion of the population; this may be the case when there has been a national endeavour to increase the supply of financial products, or when a large proportion of the population is financially excluded. In such cases **road shows, exhibitions and media campaigns can provide broad coverage**, although they are not necessarily appropriate for delivering detailed education and guidance as they lack the ability to tailor content to the audience.

Responses to the survey of INFE members suggest that national authorities are typically focusing on **traditional approaches to providing information and education** such as leaflets or workshops. However, in *Peru*, **government sponsored infomercials** are also being used to deliver financial inclusion messages and associated education to large sectors of the population, with information provided over the radio by prominent figures, using simple vocabulary in Spanish and other languages. This approach allows the Superintendency of Banking, Insurance and Private Pension Fund Administrators (SBS) to reach large numbers of people with important information about topics such as savings, remittances, credit and debt, and is equally accessible for those living in isolated rural areas as more populous towns.

Elsewhere, financial education initiatives are harnessing the possibilities of **combining education with entertainment through the media and social networks**. In Kenya, for example, MFO has recently developed and evaluated an educational radio campaign, using a soap opera format (Box 13). This

[30] http://microfinanceopportunities.org/case_studies/consumer-education-to-support-uptake-and-use-of-branchless-banking-mastercard-foundation/

campaign ran over 13 weeks, and was intended to meet 16 learning objectives, grouped under the headings of Risk, Managing Assets and Insurance (MFO, 2011).

Box 13. Giving Kenyans proactive risk management strategies

MFO and the Association of Kenyan Insurers (AKI) have tested an education strategy to increase the take-up of insurance (MFO, 2011). The approach harnesses the widespread popularity of the radio drama A Friend Indeed, developing story lines that help listeners improve their knowledge and skills.

The evaluation of this strategy compared the knowledge and skills of listeners and non-listeners before and after the programmes were aired, in order to isolate the impact of the radio programme. Due to the short-term nature of the evaluation, it was not possible to measure the full impact of the programme, including behaviour change such as increased use of insurance products. However, the evaluation showed that the programmes increased awareness and knowledge of insurance terms and products – an important first step in changing behaviours. However, attitudes to insurance and insurance providers were not altered: qualitative research suggests that this may be because of stronger negative messages passed through social networks and first-hand experience.

This strategy was developed for less than 0.08 USD per listener. The cost of raising knowledge scores amongst the audience by 1% was estimated at 17,190 USD.

Findings from *Kenya* (Box 13, above) indicate that whilst this broad reaching approach is beneficial, direct access to information and financial counselling may also be an essential component in combined strategies to improve financial literacy and financial inclusion. The radio campaign was shown to improve awareness and knowledge, but a multi-channel approach may be needed to change behaviour. Similar findings were also found in the evaluations of the FEF. One way of building on this kind of delivery mechanism to emphasise action may be to **provide useful contact numbers after the broadcast in order to help consumers to build on the intention to act created by the campaign** – such numbers might include generic financial advice providers, debt counsellors, financial education providers or financial institutions, as relevant. In some situations websites or physical addresses may be given as an alternative to phone numbers.

In the *US*, a TV soap opera, Nuestro Barrio has also been used to provide financial education as a support to financial inclusion initiatives by improving the levels of trust in financial services amongst migrants, as well as improving financial knowledge as a first step to increasing financial inclusion (Spader *et al.,* 2009). The TV programme was designed to target Latin American immigrants through 13 Spanish language episodes of a popular soap opera. The authors of the evaluation note that one of the benefits of education provided by such media, as opposed to formal classroom education is that potential participants are comfortable accessing the information, regardless of their legal status. The programme also enables financial education messages to reach those people who may not be interested in learning, but who are nevertheless interested in the entertainment value of the programme.

Public broadcasts rely on accessing a captive audience and **timeliness is therefore important**; for example a programme by Asociación Arariwa in *Peru* (described above in the section on Entrepreneurs) revealed that a radio broadcast intended to reach whole families at breakfast time (7 a.m.) was aired too late for the entrepreneurs who were already selling their goods at market by the time the show was played.

Supporting materials

As illustrated by many of the examples described so far, a wide range of supporting materials are used in financial education initiatives, including manuals, brochures, leaflets and websites. For target groups with low levels of literacy, supporting materials rely on verbal or visual communication such as DVDs and plays, or practical activities such as games and trips to financial service providers.

Market research, pilot testing and careful planning are key to making sure that the materials are accessible, appealing and relevant to participants, and useful for trainers. This process can also be used to check for issues such as hidden marketing messages or missing information. Simple adjustments to printed materials can help to encourage engagement and active participation of participants, such as changes to the colours used, style of illustration or language employed. Product testing can help to identify the most appealing combination. It may also be beneficial to consider gender differences during the development phase: either to ensure materials are gender neutral (both in terms of language and content, but also in terms of likely outcomes for each gender), or to develop materials that are gender appropriate, i.e. explicitly taking into account different preferences and using them to encourage participation and learning.

B. Challenges faced and solutions found

Developing effective financial education programmes and delivering them to the target audience can be challenging. Research shows that there are several issues that can make it difficult to deliver financial education to the people who could benefit from it, including the difficulty of motivating individuals to participate, the need to build confidence amongst the target group, accessing sustainable sources of funding, and developing appropriate materials (see for example OECD, 2005).

This section considers the specific challenges faced when trying to provide financial education to the financially excluded and the solutions found.

Accessing the target audience

The previous section described the target populations for financial education initiatives designed to increase levels of financial inclusion: these include low income groups, the young, entrepreneurs and migrants. **Barriers such as a lack of trust from potential recipients, and geographical location** can make it difficult for public authorities and financial service providers to reach out to such groups with financial education.

In emerging economies, **the magnitude of the financial exclusion phenomenon** implies that there are limited opportunities for learning about financial issues from peers or relatives, and there is almost no social pressure to become more included. This is likely to limit the confidence of the excluded population in dealing with financial providers thus minimising their willingness to become financially included even when opportunities present themselves. Policy solutions to address financial exclusion in such countries therefore need to be ambitious and profound; seeking and developing sustainable dissemination mechanisms, building networks of trust and shifting social norms. However, the challenge is no less daunting in countries where the financially excluded represent a small proportion of the overall population- these individuals also tend to be in hard-to-reach, **marginalised communities** within highly developed countries.

Authorities in various countries have stressed the importance of **making financial education relevant to the lives of the recipients**. It is vital to **listen to the intended recipients** of financial education initiatives, to gain a full understanding of what they want and to identify their needs. Education may be designed to **reflect the life-stage** or circumstance of individuals (such as young people leaving school, or individuals about to start a micro-enterprise) or to **address the challenges of particular new products** or services (such as mobile banking or conditional cash transfers see Box 14).

Box 14. Conditional cash transfers in Fiji

A financial inclusion project in Fiji identified ways in which financial education could be better utilised to support the uptake of a new financial product provided as a means of receiving welfare payments (Leonard, 2011). The research showed that the first step for financial education in support of financial inclusion should be to 'educate consumers on the usage of bank accounts and new technology'.

The research indicated that **financial education should not necessarily be targeted exclusively on the intended recipient of the product**, but also on their households. This was felt to be particularly important where the recipient was elderly or disabled.

Identifying recipients' complex requirements

Research from *Latin America* highlights the challenges of reaching out to micro-entrepreneurs with financial education in relation to products due to their **complex requirements** (Urquizo, 2012). On the one hand, respondents wanted more complex financial education such as 'making financial decisions that depend on the profitability of the harvest' rather than simple messages. But, at the same time they were uncomfortable with the idea of using computers as part of the financial education, showing their fragile relationship with technology and innovation. The researchers suggest that financial education in such situations should therefore be **targeted to specific subgroups** (e.g. segmenting by occupation, gender) **and be connected to the daily wants and needs of the recipients**.

Removing barriers to participation

Other practical barriers can also reduce participation in financial literacy initiatives. Bank On initiatives in the *US* for example, report that some potential participants lack transport or child care making it impossible for them to attend seminars (Bank on USA, 2011). Some programmes attempt to overcome these barriers through incentive payments. Some Bank On initiatives have also found that webinars and online portals can provide alternative ways of reaching consumers with financial education in the US; this finding is almost certainly applicable to other countries with widespread internet access.

Identifying and training trusted partners

The benefit of **partnering with well-respected local organisations and trusted intermediaries** with on-going relationships with the target audience cannot be overstated when working with marginalised populations (see Box 15). Such partners are invaluable to gain the trust of individuals when trying to change their behaviour, particularly if they are wary of government interventions or financial service providers.

As some intermediaries work only with specific groups of people (e.g. church goers, women, school children) or at certain times of the day, several such organisations may be needed within a region to reach all segments of the target audience.

Appropriate organisations can be identified through a mapping exercise of existing providers and contact points, and **formally recognised as important stakeholders** in a national strategy for financial education. In this way, their knowledge, experience and contact with the target audience and other organisations can be used to support and develop initiatives in areas where they operate, and to build new networks in areas with no existing intermediaries. However, **training may be required** to prepare such intermediaries to deliver financial education and it may be **necessary to have a monitoring mechanism in place** to ensure that financial education is given sufficient priority where intermediaries work on many issues.

Train-the-trainer events can also be used to create a multiplier effect - increasing the number of partners that are able to work with the financially excluded. Such approaches are used effectively in countries such as Brazil, where the sheer scale of the country makes it necessary to train many delivery agents over very large areas.

Given the primary purpose of the community organisations and trusted intermediaries, it is not uncommon for **financial education to be delivered alongside the intermediaries' core topics**, such as basic skills (literacy and numeracy), health awareness, and personal well-being programmes. This approach can provide access to financial education for people who would have not otherwise sought it, but delivery should be monitored to ensure that resources are being allocated appropriately across the various content areas, including financial education.

A report from the New York City Department of Consumer Affairs recommends seeking programme partners that have identified financial factors as barriers to achieving their own goals, and who might welcome financial education and financial inclusion (NYCDCA, 2012). This should maximise the partner's efforts to work on financial inclusion for the benefit of their clients.

Box 15. Trusted intermediaries reaching girls and women in West Bengal

An innovative education initiative in West Bengal leveraged microfinance networks to provide both health and financial education to vulnerable girls and their mothers, using specially designed games. The project, evaluated by Freedom from Hunger, sought to build on self-help savings groups across India.

The evaluation considered the different outcomes of a group of women and girls who were in groups that expected to receive the education (the treatment groups) and those who continued to meet but did not get the education (the control groups). The actual delivery of the education was lower than anticipated, and the attendance of women and girls was mixed (fewer than a quarter actually attended the savings sessions). However, despite these challenges, the girls in groups receiving training had significantly higher motivation to save money than the control group after 6 months. Unfortunately, the difference did not last; at 12 months there was no significant difference between the two groups: the authors suggest that this could be a result of worsening incomes in the region and steeply increasing costs of living over this period.

The evaluators concluded that the girls may have also benefited from a more formal mechanism to save in a secure environment, indicating the potential additional benefit of providing products alongside education (Spielberg *et al*., 2010).

Harnessing the power of the media

Where the target audience is large, or potential recipients are wary of standard providers, **harnessing the media** has proved useful in some regards. For example, the findings of the Nuestro Barrio evaluation suggest that the TV series was successful in raising viewers' awareness and changing attitudes, although knowledge did not increase as a result of watching the programmes (Spader *et al.,* 2009).

Delivery of financial education through a soap opera, as in the Kenyan radio series, A Friend Indeed (Box 13) has highlighted the importance of ensuring that the story line of the programme is **appealing to the target audience, and that messages are repeated**. Evaluation of the Kenyan initiative showed that repeated exposure was found to be particularly important to explain the difference between saving and insurance, to help listeners understand insurance policies and their terms, and to describe the benefits of property insurance to micro and small entrepreneurs at risk of theft and fire.

The TV series Soul City in *South Africa* also provides a useful example of innovative financial education delivery using authentic storylines to weave **consistent** and repeated educational messages into an on-going drama.

Accessing families through schools

Schools can potentially provide access to various target audiences for financial education in support of financial inclusion efforts. For example, extra-curricular activities based on Aflatoun resources have been used to provide such education to young people in many countries around the world, whilst the Saver Plus scheme in *Australia* targets parents through community workers attached to schools to offer access to financial education alongside a matched savings scheme.

For this approach to be successful, education ministries, school management teams and teachers must accept the introduction of such programmes, which may mean working with them to **explain the benefits of the education for them and their students** and the value of integrating new resources and topics into their existing lesson plans. Findings from the *Philippines* suggest that a Memorandum from the Department of Education to integrate an Aflatoun financial education and savings programme meant teachers did implement the programme, but they did not consider it as a benefit to the pupils, rather they saw it as an additional burden to themselves. Despite this, they adapted the activities to use in other classes, suggesting that the pedagogical resources were an added value (Reinsch, 2012).

Addressing language barriers and low levels of literacy

Language barriers create a number of challenges when developing financial education initiatives for the financially excluded (see GAO, 2010 and Barcellos *et al.*, 2012 for detailed discussions of language barriers to financial literacy and financial inclusion, respectively, in the *US*). Some countries, such as *India*, *Indonesia* and *South Africa* have a large number of national languages, making programme development more costly. Language can also be a big issue when reaching migrants, as found in *Northern Ireland* (Gibbs, 2010). Yet **it may be important to move quickly**, rather than to wait until the migrant has learned the language of the host country: the Northern Ireland project found that financial education needed to be delivered to migrants as soon as possible on their arrival as several of the participants had already bought inappropriate products or got into difficulties with credit by the time they accessed the pilot programme.

There is no simple solution to addressing the language barrier. In some cases**, materials may already be available** in a number of languages. Sometimes, several organisations may be prepared to pool the costs of developing materials in a specific language, or languages. Where it is inevitable that financial education is provided in a language that is not the mother tongue of participants, **practical activities rather than classroom based instruction** or written materials will be more effective at reaching those participants who have not developed a comprehensive understanding of the language. In *Australia* for example, ASIC found that **visual and story-based educational tools** could be highly effective in reaching consumers whose mother-tongue is not English, although they also recognised the potential issue of ensuring consistent messages across different delivery mediums (see Box 12, above). Translation tools available online may also help in some situations, such as when guiding individuals to particular web pages.

It is important to introduce relevant terminology, but some programmes find it difficult to translate materials whilst keeping the meaning intact. One of the FEF projects, developed by Camfed in *Zambia* prepared glossaries of the key terms in two languages to address the need for terminology. The findings of other FEF programmes highlighted the importance of modifying other content, such as illustrations and examples, to be relevant to different audiences and cultures (FEF, undated).

Consumers International has provided a useful suggestion in relation to the delivery of financial education that is particularly relevant to the discussion of language barriers: **embed financial education into language training for migrant workers** and their families, and into school education for their children (Consumers International, 2012).

Low levels of literacy also create challenges when designing and implementing financial education initiatives. However, there are a number of approaches that can overcome this, **using verbal and visual forms of communication rather than the written word**. In some countries such as *India*, innovative approaches to delivery are used to reach individuals with low levels of literacy, including street plays used to disseminate important information. However, whilst financial education can overcome this barrier to some extent, it is important to remember that much of the material provided about financial products is still written, including information designed to protect consumers, such as key facts statements.

Changing behaviour

As a result of habits formed over many years and a range of emotional and psychological factors people often continue with old behaviour patterns even when they have the knowledge and skills to change. Changing behaviour is made more challenging when resources are scarce and trust is limited, as is often the case when working with marginalised groups. Furthermore, behaviour change may occur some time after the receipt of financial education, making it difficult to ascertain a causal link.[31] Yet behaviour change is a key objective of financial education for financial inclusion. The basic premise of such programmes is that once individuals have received financial education, they will start to demand and use appropriate financial products to increase their financial well-being.

The financially excluded may need even more **intensive support and incentives alongside information and knowledge** to break their previous behaviour patterns. However, research evidence shows that behaviour change is possible with the right approach; for example, an evaluation of a programme targeted at women in *India* by Shree Mahila Sewa Sahakari Bank ltd (Sewa) showed that participants started to undertake financially literate behaviour such as reducing avoidable expenses, converting short term saving to long term savings and pensions, and buying insurance (Vyas, 2012). Vyas indicates that this was achieved by showing women **the importance of planning for their future**, teaching them **simple concepts such as 'avoidable' and 'unavoidable' expenses** and providing tables to show the women exactly how their savings would grow.

The recent summary of financial education projects designed to increase financial inclusion showed that concepts need to be "concrete and applicable to the beneficiary's life" to be adopted as behaviours (FEF, undated). It was also found that "projects that implemented one-on-one services, or repeated sessions (including group sessions), produced a greater change", but that consistency and repetition were key – findings also reported in other evaluation studies (see for example Atkinson, 2008).

Some recent studies have suggested that **impact on behaviour is higher when household members also participate** in financial education (see for example Doi *et al*., 2012). This is an interesting solution and further testing should be encouraged, to see which combination of household members are most relevant, and whether training should extend to other groups within a network, such as communities or colleagues.

Encouraging take-up of financial products

A common sense solution to financial exclusion may be to **provide education and access to products simultaneously**. Highlighting appropriate products during the financial education programme is in keeping with the findings of behavioural economics; encouraging participants to gain access whilst motivated to do so (Joong, 2011).

As noted by NYCDCA, it may also be possible to seek the support of the private sector to develop joint initiatives to provide products and education when large numbers are financially excluded, thus potentially reducing the pressure on other resources (NYCDCA, 2012).

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[31] Robust evaluation methods are essential for identifying behaviour change and being able to link this to the programme. Such methods should seek to capture evidence of new behaviours, rather than self-reported behaviour change. The OECD/INFE has developed two guides on evaluating financial education programmes, available from www.financial-education.org

There are in fact many programmes that provide education alongside facilitated access to one or more products, such as microcredit, insurance, savings accounts[32] and transaction accounts. One example is the *Indonesia* Saving Movement and TabunganKu Savings Scheme, which includes financial education delivered to a range of venues including schools, markets and office buildings by an "education car", and complemented with online information and brochures.

Research in the *US* has shown that combining education with access to a product can be a particularly effective way of recruiting financial education participants (see Box 15). However, care is necessary to ensure that the products being accessed are appropriate and do not create unintended side-effects (such as an over-reliance on credit, or a tendency to face high fees as a result of breaking certain terms and conditions).

Box 16. Accessing financial services: Latinos in the US

Research from the US provides some useful guidance on providing incentives to encourage adult immigrants (and others) to participate in financial education initiatives designed to increase financial inclusion:

> In the absence of teachable moments, effective incentives are needed to motivate Latino consumers to seek financial education. One of the most effective practices is the promise of access to a financial tool or product. … While there are also instances where providers attempt to motivate clients with prizes or services, such as child care, financial education providers acknowledge that incentives need to be stronger to appeal to many low- and moderate-income Latinos who juggle more than one job and work non traditional hours to support their families. (NCLR, 2004).

Before widespread roll-out of a joint financial product and financial education initiative, market research is useful in identifying the reasons why a potential target audience is financially excluded, the types of products that could most benefit them, and the product features that they would require in order to make full use of the product on offer. For example, a study undertaken in the *US* by New York City Department of Consumer Affairs found that many of those who are currently operating without a bank account have held one in the past (NYCDCA, 2012). The report comments that "the account needs terms that address consumers' core concerns about high and unpredictable fees". It is also interesting to note that discussion with potential clients indicated that they knew they could benefit from a bank account but did not see it as a priority given their other pressing issues. This is an important consideration when working with vulnerable individuals facing multiple exclusion or disadvantage.

In some cases, it may be necessary to develop tailor-made products for financial education participants with features that address some of the barriers discussed above (see Box 17). In other cases, there may be suitable existing products but a need for financial education to reduce barriers to access such as low levels of self-confidence or lack of financial literacy. Whether or not new products need developing such joined-up initiatives will often require the participation of the private sector. Financial service providers may recognise the benefit of developing inclusive products as a way of gaining loyalty amongst a new client base, and encouraging access to other products and services once individuals have built-up credit records or financial reserves, as seen in the example below (Box 17). The financial services sector may also become involved in the provision of associated financial education (see Dunford, 2001 and Reinsch, 2012 for a discussion of the various models of support offered by the private sector). Such

32 See Lewis and Messy (2012) for a range of programmes designed to increase savings.

involvement may bring many advantages to the financially excluded and programme developers, but will also require careful management to prevent real or perceived conflicts of interest.

Box 17. Education and specially designed financial products

The Uganda Finance Trust Ltd, a microfinance institution, has been providing specially designed savings products with minimal identification requirements and fees and financial education to young people since 2009 (Reinsch, 2012). It now has three projects, one targeted exclusively at girls aged 10 -19, and two newer projects aimed at young teens (12-17) and older youth aged 18-24. Youth also have the opportunity to take out a loan once they have participated in the education and saved for a year. The financial education is provided alongside internship opportunities, health tips and other non-financial guidance in partnership with youth organisations.

A number of projects are also currently underway to test various combinations of financial education and product provision for youth (see Annex 1 of Kilara and Latortue, 2012). These include a project funded by the MasterCard Foundation to test integrated microfinance and financial education with 37,000 youth in *Mali* and *Ecuador.*[33] Another project in the *Dominican Republic* is including a pilot to encourage young people to open an account and draw up a savings plan with the help of customer service officials, to try to encourage behaviour change and longer term commitment to saving (Reinsch, 2012). Such products aimed at young people could benefit from the Child and Youth Friendly certification developed by Child and Youth Finance International for this target group.[34]

[33] https://www.freedomfromhunger.org/aim-youth

[34] www.childfinanceinternational.org/index.php?option=com_mtree&task=att_download&link_id=753&cf_id=200

IV. MAIN LESSONS LEARNT AND WAY FORWARD

This paper has highlighted the policy level approaches and practical solutions currently used to harness the benefits of financial education as a complement to financial consumer protection with a view to improve levels of financial inclusion for the well-being of individuals and their families. There is widespread interest in identifying efficient practices and scaling up current financial education provision in order to reduce the extent to which individuals face exclusion from financial products and services in both developed and developing economies.

1) A joined-up approach is necessary, combining different policies and bringing together varied stakeholders

Many governments have recognised that financial education is important to support more inclusive growth and improve the appropriate use of financial products, and have developed strategies to tackle these issues, drawing together relevant stakeholders from a range of organisations. In some cases, the focus is on financial inclusion and the roles of financial education and financial consumer protection in tackling the demand-side barriers whilst elsewhere financial education strategies incorporate financial inclusion measures.

The policies discussed in this report need the support of a number of stakeholders from different sectors, including policy makers working on financial education, financial consumer protection or financial inclusion, political proponents, the private sector, NGOs and others. Organisations representing and working with relevant target audiences have also been identified as relevant implementing partners.

2) Data collection is widespread, and some efforts facilitate international comparisons. There is evidence of an association between financial literacy and financial inclusion. Some further work may be necessary to fully understand household access and decision making in relation to financial products

There is significant interest in gathering empirical evidence of the levels of financial inclusion, but relatively few initiatives to measure financial inclusion and financial literacy. The OECD/INFE survey is important in this regard. Data from the demand side enable policy makers to assess current levels of financial inclusion, subgroups of the population facing financial exclusion, and levels of financial literacy amongst excluded groups (as well as the population as a whole). Such analysis will indicate whether or not the financially excluded are more in need of financial education than other groups. Demand-side data can also be used to explore the self-reported barriers to financial inclusion and the extent to which individuals express a desire to use formal financial products.

Analysis at the individual level is appropriate to acknowledge the individual nature of skills such as financial literacy, but it is also important to recognise that certain money management activities and the use of financial products may happen at a household level. It may be necessary to combine the quantitative results with findings from qualitative studies in order to better understand the intra-household decisions in relation to financial inclusion.

Given the high level of policy interest at an international level, it is useful to have internationally comparable data collected on a regular basis, in order to make comparisons across countries and time.

3) The needs and experiences of young people should be taken into account during data collection

Whilst it is not uncommon for financial inclusion initiatives to focus on young people, current data collection focuses primarily on the adult population. However, the existing financial education initiatives designed to support financial inclusion make it clear that young people are an important target group. This suggests that efforts should be made to collect more data on the financial literacy of young people as well as their demand for financial products and product use amongst this group and highlights the importance of the Financial Literacy Option within the OECD PISA project. The assessment framework of financial literacy within PISA incorporates the understanding and use of financial products (for example, under Risk and Reward, students are expected to "Recognise that certain financial products (including insurance) and processes (such as saving) can be used to manage and offset various risks (depending on different needs and circumstances)" (OECD, 2013a).

It may also be necessary to look at the extent to which financial consumer protection is sufficient for younger groups and to make changes if issues are identified (for example, see Atkinson and Kempson, 2004).

4) When implementing financial education policies, it is often necessary to identify trusted intermediaries

Organisations with access to marginalised communities appear to be especially important in ensuring that financial education initiatives reach the financially excluded.

It is important that policy makers can and do differentiate trusted providers of financial education from groups with vested interests, and that they can ensure financial education is given sufficient emphasis where there are competing priorities. There are many potential issues to consider, for example:

- The quality and quantity of trainers may be an issue and existing trainers from other fields may lack the skills to provide financial education. Training the trainers is therefore an essential prerequisite;

- Supervision is essential to ensure that any resources that are provided for financial education are being used appropriately, particularly where potential providers deliver various types of education. It is therefore important to put a monitoring framework in place from the beginning;

- It is essential to be able to reach the whole target population. Certain community groups may reach only a proportion of the community, due to religious criteria or the times of day they operate indicating that a multipronged approach may be necessary; and

- Real or perceived conflicts of interest must be managed when the private sector is involved with financial education.

5) Effective financial education strategies for financial inclusion need to overcome a number of barriers, and may need to be combined with direct access to appropriate products

Policy makers face a number of challenges when developing effective financial education strategies, and these appear to be greater when focusing on the financially excluded because of the physical and psychological barriers inhibiting access to, and by, this group and because of the lack of resources. However, effective approaches have been developed to provide education, information, and sometimes direct access to products. Many of these recognise the benefits of working through existing channels of communication, such as accessing marginalised communities through local community organisations or reaching adults with low levels of literacy via media campaigns.

There are benefits to providing financial education alongside access to appropriate financial products. For example:

- The potential access to a financial product can be a powerful incentive for people to sign up for financial education.
- The provider of the financial product can help to recruit financial education participants, and may even provide the education. This may be subject to some form of monitoring to manage potential conflicts of interest between commercial and educational objectives.

6) It is important to pay attention to the needs and preferences of different target groups in order to fully meet their needs

Whilst the financially excluded share the characteristics of being marginalised to some extent, it is clear that they are not a homogenous group. Different initiatives are needed to reach specific groups and provide them with the education and guidance necessary to increase their likelihood of becoming financially included. Such groups may include young people, women, entrepreneurs, migrant workers, or even subsets within these, such as female entrepreneurs.

Target groups may have different preferences for delivery channels and topics. Market research may be required to identify the key educational requirements and delivery preferences, including the language of delivery and the types of supporting materials that are most likely to be of benefit.

It may also be necessary to consider the stage of inclusion of target groups:

- **Preparing for access**: Financial education is an important tool to help the excluded to understand the benefits of using products and services provided by the formal financial sector (which may include banks and other private sector institutions, mutual societies, and not-for-profit financial service providers such as certain community development banks or microfinance institutions); increase their trust; and improve their self-confidence to interact with financial services. Financial education should also enable the excluded to make appropriate decisions by comparing across products and providers, and inform them of their rights and responsibilities in relation to gaining access.
- **The newly included and those with limited experience**: As people access financial services they will need to rethink their money management strategies, including the ways in which they keep track of their overall wealth; financial education could be helpful in this regard. Money management skills, including learning how to make financial plans and keeping track of current

balances will also help individuals to maximise the benefit of their products whilst minimising costs (for example, leaving money in a savings account long enough to accrue interest, or reducing monthly fees by withdrawing money less frequently from a current account).

Considering the potentially low levels of literacy (i.e. ability to read and write) and general education of many likely recipients of financial education for financial inclusion, it may be beneficial to work on practical activities in order to model appropriate behaviours and further develop skills. Individuals' skills can be further enhanced by the provision of basic tools (such as simple charts showing how interest will compound) and rules of thumb to enable them to make decisions about the suitability of simple products, taking into account factors such as the cost, potential benefit and level of risk involved. The spoken word can also be an effective delivery method, and particularly benefits individuals with low levels of literacy who cannot read written materials.

Financially excluded groups can be "hard to reach" both in a physical sense, and in terms of encouraging their participation in initiatives. Approaches that are engaging and tap into their existing patterns of behaviour or habits may be particularly effective. For example, information provided through radio/TV programmes (including edutainment) and/or messages sent via mobile telephones can help raise financial awareness of excluded groups and pave the way for the development of successful education programmes.

There are benefits to providing financial education alongside policy changes such as the introduction of conditional cash transfers or other supply-side initiatives. For example, new immigrants may need urgent guidance on financial products and money management on entering a country. Timing is also important when education is linked to supply-side initiatives, such as the introduction of electronic payments or when multiple channels are used to increase awareness and deliver education (for example when a radio infomercial is followed by community-based education).

Financial education is typically seen as an endeavour targeted on individuals, to improve their knowledge and skills, and change attitudes and behaviours. However, it is clear from this review that when developing some forms of financial education for financial inclusion the family unit, or even the community, may need to be targeted with appropriate education, information and guidance. This has been shown to be more effective than educating just one member of the family in cases where money is being remitted or new products are being introduced. The same approach may also prove to be beneficial when addressing other aspects of financial education and financial inclusion. It is also worth considering whether programmes harnessing social networks or using mass media to reach households when families or communities are together might stand a better chance of success than those targeted exclusively on individuals.

Whilst the wider context is important, the needs of the individual should not be overlooked. There may be considerable benefit from giving some women an opportunity to use financial products to keep money safe and possibly secret, whilst girls can be empowered from being able to discuss their financial concerns away from their male peers or relations.

7) Relatively little evidence is available about the effectiveness of financial education in encouraging financial inclusion

More research and evaluation is necessary to further explore the relationship between financial literacy and financial inclusion, and to identify the impact of financial education initiatives on financial inclusion. Additional effort could also be made to describe the Theory of Change related to the education components of financial inclusion initiatives; there is relatively little documentation describing the anticipated outcomes of such financial education or how they will be achieved, yet this an essential component to any successful evaluation of the programme.

Some of the creative solutions found to the challenge of reaching this target group offer significant hope; additional appropriate evaluation should allow deeper research and identify programmes that can be scaled up or transferred to other settings.

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ANNEX 1. INFORMATION ABOUT RESPONDING COUNTRIES

Table 1. Responding authorities

Country	Institution
Australia	ASCOM
Australia	Australian Government Department of Human Services
Japan	Bank of Japan
Lesotho	Ministry of Finance & Development Planning
Mexico	Ministry of Finance and Public Credit
Morocco	Bank Al-Maghrib
Netherlands	Ministry of Finance / Moneywise Platform
Peru	Superintendency of Banking, Insurance and Private Pension Fund Administrators
Philippines	Bangko Sentral ng Pilipinas (BSP)
Portugal	Banco de Portugal
Romania	Private Pension System Supervisory Commission
Saudi Arabia	Capital Market Authority
South Africa	FSB
Spain	SG Treasury and Financial Policy
Switzerland	Schuldenberatung Aargau - Solothurn
Switzerland	Federal Consumer Affairs Bureau
Thailand	Bank of Thailand
Turkey	Central Bank of the Republic of Turkey

OECD/INFE members have also submitted relevant information in questionnaires on financial education for savings and investments and financial education for women. This information has also been incorporated in the current report where relevant.