

Improving Financial Literacy In Developing Countries

Initial Scoping Study

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1. Why is Financial Literacy Important? A Win-Win for Consumers and Financial Service Providers

[financial education] can help to inoculate individuals with the financial knowledge necessary to create household budgets, initiate savings plans, and make strategic investment decisions. Such financial planning can help families meet near term obligations and maximize their longer term well being and is especially valuable for populations that have traditionally been underserved by our financial system (Alan Greenspan, 2002)

The concepts of financial literacy and financial education have received increased attention, particularly in the OECD, over the past few years where it has long been recognised that a lack of financial literacy can result in poor financial choices that can be harmful particularly to poor individuals and communities. The connection between poverty, low literacy and low financial literacy has been confirmed through studies undertaken in the United States and Australia.²

These problems are only just starting to be recognised in many parts of the developing world as a major problem in poor households and communities. This is not only because of the generally lower levels of access to, and poor standards of, formal education but also because of a lack of access to information. This is particularly the case in low-income countries, such as in Sub-Saharan Africa, where the formal education system often falls short of achieving acceptable literacy levels among communities.

Poor people in developing countries share the same goals as all people - economic security for themselves, their families, and future generations. The main difference is that they have fewer resources and opportunities. For poor people, good money management is often a daily challenge. Pressures on their cash flow are persistent and often urgent. Future planning becomes difficult when people are struggling to secure a steady income on a day-to-day basis. While the poor in developing countries use many creative and sometimes complex strategies to manage their money, these often develop through trial and error rather than by design. They often tend to be more reactive than proactive. Unfortunately, "reactive" money management strategies can have severe repercussions when they deplete assets and place a claim on future income. **Financial education has a role in building**

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² Adult Financial Literacy in Australia (2003), ANZ Banking Group

the capacity of the poor to gain control, become proactive, use information and resources to enhance their economic security and more effectively use financial services. When better informed clients become better consumers of financial services, financial institutions benefit, and so does the wider economy.

It is not only the poorest communities who demonstrate low levels of financial literacy and low levels of financial education often effect large segments of developing country populations. For example, the vast majority of respondents to the 2003 FinScope survey of access to financial services in South Africa indicated a high level of 'confusion' on financial matters. Nevertheless, lower income households and the elderly remain the most vulnerable to poor financial planning and exploitative schemes, as it is often more difficult for them to recover after a financial set-back.

Financial education has an important role to play on an economy wide level. For example, **financially educated consumers are more likely to save and to save more than their less financially literate counterparts.**³ The increase in savings associated with greater financial literacy should have positive effects on both investment levels and economic growth. In many parts of Sub-Saharan Africa, domestic savings are very low, reflective of a wide range of factors amongst which low levels of financial literacy is certainly a contributing factor. Gross national savings as a ratio to gross national income was only about 17 per cent in 2003 in Sub-Saharan Africa.⁴ This compared to 23.1 per cent for all low-income countries. Net national savings was about 14 per cent in 2003 in all low-income countries. In East Asia and the Pacific it was over 32 per cent whereas in Sub-Saharan Africa it was just six per cent.

The need for saving in regions such as Sub-Saharan Africa is even more important today than ever before considering the HIV/Aids epidemic now ravaging the continent.⁵

A society's level of financial literacy manifests itself on three levels: at an individual level, at an institutional level and on a market level.⁶

1. **On an individual level** insufficient financial literacy can result in poor decisions which affect economic well-being. People with low literacy levels are more susceptible to over-indebtedness, insufficient savings and are more vulnerable to over-zealous retailers or fraudulent schemes.
2. **On an institutional level** (including both formal and informal providers of finance) the lack of financial literacy of potential or current clients

³ See OECD, 2005

⁴ Economic Alternatives for Sub-Saharan Africa: 'Poverty Traps', MDG-Based Strategies And Accelerated Capital Accumulation Draft Paper for the G-24 Meeting, 15-16 September 2005 Terry McKinley, UNDP

⁵ HIV/Aids could have a devastating financial impact on individuals and households, where even the most careful financial planning may not suffice if it does not make provision to deal with the impact of frequent and debilitating illnesses associated with HIV/Aids.

⁶ See FinMark Trust, 2004

may result in the selection of inappropriate products which could negatively affect the client and the institution (e.g. non-repayment of loans). Informed clients translate into reduced risk for financial institutions and also provide an opportunity for greater penetration of financial services.

3. **On a market level**, proper functioning depends on a good flow of information. Poor information can lead to market failure in financial markets. Informed consumers play a developmental and monitoring role in the market and help guide good practice while weeding out bad and harmful providers and practices. Informed clients are also empowered to negotiate better deals with the service providers and to put pressure on financial institutions for appropriately priced and transparent services.

The marketplace in many developing countries is gradually becoming increasingly complicated, with a proliferation of financial products resulting from technological advances, product innovation and increased competition. This makes it even more important that people have a good understanding of financial services. Unfortunately, poor people's comprehensive of formal financial services is generally limited.

Whilst strategies are being implemented in many countries to improve the outreach of financial services to historically under-served communities complemented with various other reforms such as regulation to make products simpler and easier to understand and interventions to improve competition in financial services, such supply side strategies must also be complemented with a "demand side" focus. For example, regulation may protect consumers from making some bad decisions, but it cannot empower them to make good ones. Interventions to increase competition will have limited success if consumers are reluctant to shop around, and are insensitive to price and quality when they do so. **Financial literacy thus becomes key to integrating the poor into the provision of financial services.** They need to have the opportunity to be educated and informed about the product choices available to them and any effort to increase financial inclusion should be linked with a financial literacy/capability programme to deliver the desired results.

In summary, those who receive financial education, especially the poor, benefit from:

- The knowledge and skills to wisely manage their money;
- The capacity to more effectively use financial services;
- Increased self-esteem and confidence as a result of incremental successes in achieving financial goals; and
- Greater ability to demand higher quality products and services from their financial institutions.

Institutions providing financial education:

- Attract more clients - when consumers fully understand financial services and products, they are more willing to use them;
- Better retain existing clients - institutions that demonstrate concern for their customers by offering financial education are more likely to engender greater client loyalty;
- Gain better market information for use in improving products and services - feedback from both learner-centered education and informed customers provides input on client preferences; and
- Have a competitive edge.

As such, providing financial education can be a “Win-Win” for both consumers and financial service providers.

2. Defining Financial Literacy and Education

But what exactly is financial literacy? And what constitutes a financial literacy programme? There are many definitions in the literature and financial literacy is a multi-dimensional concept which relates to and overlaps with various other concepts and disciplines. The FinMark Trust South Africa have carried out a large body of research in this area and follow a simple but powerful definition of financial literacy, which was developed by the National Foundation for Education Research in the UK and adopted by the Australian Securities and Investment Commission (ASIC):

“Financial literacy may be defined as the ability to make informed judgements and to take effective decisions regarding the use and management of money.”

This definition focuses on the ultimate goal i.e. the ability (of consumers) to make informed and effective financial decisions – rather than to focus on the input (learning) which may lead to such an outcome. It also implies objectivity and the inclusion of various appropriate options which will enable optimal decision making, with the *best interest of the consumer being the ultimate objective*. As such, programmes with a narrow content which present a specific product or category as the only option, or which has as overriding objective to sell product to a potential client, would not constitute financial literacy. A financial education programme should also have clearly formulated objectives in terms of *changed behaviour*. Finally, the definition implies a level of *confidence* in financial matters – a willingness to ask and explore, and the ability to make appropriate decisions. Financial literacy can therefore not be defined in a one-dimensional manner. **Rather it has to do with a person having the necessary skill-set to make optimal decisions in his/her specific environment.** What constitutes financial literacy for one individual or in a certain community may be totally insufficient in a different environment. A one-size fits all approach to financial literacy cannot work.

3. Financial Education Programmes⁷

⁷ This section largely draws on information provided in the FinMark 2004 study of financial literacy in South Africa, “Financial Literacy Scoping Study and Strategy Project,” ECI Africa

Financial education programmes come in various forms and shapes, depending on the objectives and target audience. They can vary considerably depending on their purpose, content, delivery mechanism, and target audience.

Types of Programmes

Financial education programmes come generally as two types:

- **Discrete programmes** generally focus on a narrow topic and aim to achieve a specific outcome. Examples of the latter are programmes aimed at informing people on the relevance and options for debt management or the implications, requirements and procedures for purchasing a house.
- **General or broad-based programmes** aim at improving the learners' knowledge of the fundamentals of financial planning and management, and introducing the learner to the different types of financial products, and where and how these can be accessed.

No two financial literacy programmes are generally the same, as programmes are generally designed to meet the needs of the specific target audience, with consideration of previous learning or current knowledge levels.

Broad-based programmes generally include the following concepts:

- What is money?
- Basic banking, such as opening a bank account; different types of accounts; writing a cheque, and knowing your options;
- Financial planning and budgeting;
- Financial negotiations, including communicating with confidence
- Short-term savings for consumer purchases or for unexpected events;
- Long-term savings or retirement planning, including types of instruments and providers of products;
- Risk reduction: protecting one's assets, including types of products and providers;
- Risk reduction: protecting your income and providing for your dependants in the event of death;
- Debt management: how to avoid high levels of indebtedness, debt management; and
- For more sophisticated audiences, content can include various types of investment options; risk associated with different asset classes; tax implications, and so on.

Discrete programmes tend to focus in depth on one of the above components, with a specific outcome in mind. Some of the most common discrete programmes include issues such as:

- Indebtedness (managing and avoiding debt);
- Retirement planning;

- Life assurance;
- Relevance and options for saving; and
- Housing

Delivery Mechanisms

As varied as the content of programmes, are the delivery mechanisms for financial education programmes. These include presentations and seminars; classroom-based programmes; group or individual counselling; multimedia and the use of various forms of educational aids (booklets, pamphlets, and so on). Some of the most common programmes and the limits to their application include:

School programmes. Schools provide an opportunity to reach the most people over a lengthy period of time, during important years when values and attitudes are formed towards financial management. It provides the opportunity for both breadth and depth of discussion. However, in reality, resources are in short supply, particularly in disadvantaged communities, and financial literacy knowledge amongst teachers is often inadequate. In some countries the private sector, particularly financial institutions, supports the implementation of the curriculum by providing necessary resources and helping to develop content. While school programmes can provide a good foundation in financial literacy, it is less effective in other spheres, as research has found learning to be most effective when action-oriented. For example, if you teach somebody today about retirement options or how to apply for a mortgage, he/she will absorb less and forget more if the intention of the individual is not to do either in the near future.

Workplace programmes. These normally take the form of classroom-based programmes and could comprise anything from a once-off to a six-month course. These programmes are suitable for in-depth discussion and also allow for a level of customisation of the audience. However, these programmes are normally limited in duration, limiting the scope of topics to be covered. They are also often not action-oriented, which limits the effectiveness of learning. Employees are furthermore not always motivated to attend the courses (particularly if offered during lunch times), or attend it for the wrong reasons - such as to escape work. On a macro level, the limitation of these programmes in low-income developing countries is the low level of formal employment and therefore limited outreach on a national scale.

Workplace presentations and seminars. Some employers have made the attendance of presentations on issues such as medical schemes or retirement conditional for joining a medical aid or retirement scheme. However, the content is generally limited to the specifics of retirement or medical aid, and a bias can also be introduced if such a presentation is offered by the company whose scheme is being used. Employers could consider using this opportunity to approach broader topics, such as financial planning, budgeting and risk management, and to require repeat attendance.

Financial institutions, predominantly banks and microfinance institutions, offer classroom-based financial literacy courses – mostly targeted at existing or potential clients. At some microfinance institutions, attending a basic financial literacy course is conditional on opening an account with the institution. However, most commercial banks normally limit client education initiatives to lectures or seminars on specific products – primarily with the attention of increased take-up of the product and, in certain circumstances, to reduce their exposure and potential risk. These programmes are then generally discrete in nature, and vary from lectures on housing and how to apply for a bond (low income clients) to investment or retirement planning (high income clients). As they are often action-oriented, absorption of information is believed to be high. However, as these programmes of financial institution are mostly targeted at a select group of current and potential clients, they do not achieve broad outreach – particularly in countries where large tracts of the population are unbanked.

Life assurance companies mostly limit their activities to category specific information, primarily through employee seminars/presentations and editorial in print media – both often with a strong marketing bias. The target market is usually current or potential clients.

Community-based programmes focus primarily on disenfranchised communities. Programme content is often focused on debt relief and debt management and educational programmes take the form of group or individual counselling. The benefit of these initiatives is that they have the infrastructure to reach the poorest of communities. They are also close to their target audience and as such often have first-hand knowledge of financial educational needs. Communities also tend to trust the providers of these programmes, as the programme implementers are often from the community. As these initiatives have limited resources, their breadth of outreach tends to be limited.

Consumer groups and associations. These groups include consumer watchdog agencies and associations formed to represent general consumer interests. Their interests are by definition wider than mere financial literacy, but keeping members informed on financial matters affecting them, is often a priority. These associations play a strong advocacy role in the marketplace and act as watchdog on behalf of their members. Financial education mostly takes the form of newsletters, distribution of booklets on pertinent issues, arranging seminars and presentations for members, use of media, radio and television and the provision of an information call-centre or kiosks.

Multimedia programmes are used by various institutions to complement their other educational activities. Some also use it as a stand-alone strategy. Print and radio is most frequently used. These media allow for broad outreach, but depth of content is often limited. Radio talk shows sometimes allow for individual questions to be answered through public call-in. It is challenging to fit the message to the audience, as the audience can be very varied. Content therefore tends to focus on basic generic financial principals. If not well researched and executed, these campaigns could present a shotgun

approach. Some financial institutions use multimedia campaigns under the banner of financial education, and at times have a strong product bias and constitute marketing rather than objective financial education.

Whatever the shape and form of a financial education programme, it must be **needs driven**: the starting point should be the environment and skills requirement of the target community, with the use of relevant language and appropriate delivery mechanisms.

Providers of financial education

The term 'provider of financial education' usually has to be used loosely as the actual involvement of government or other organisations in the provision of financial education may be limited to a certain component of an overall programme. Usually, providers can be divided into the following broad categories which depend on the goal and target audience:

- *National or broad industry level*. These include initiatives delivered by the public sector (government agencies, ministries (of finance and social affairs, for example), central banks, and regulatory and supervisory authorities and span the various financial sectors (formal and informal) and which generally include representatives (on sector level) of all the financial sectors as well as non-financial interest groups.
- *Industry Sector Bodies*. This generally includes financial industry level bodies
- *Individual Financial Institutions* (business or marketing divisions). Individual banks, insurers, and assurers
- *Corporate Foundations/Corporate Social Investment*. The latter needs to be differentiated from individual financial institutions, as both the purpose of their financial education initiatives, as well as their focus and delivery, differ substantially from initiatives found in the core business divisions of these institutions.
- *Non-profit community and consumer based organisations*
- *Private consulting companies* (e.g. programme suppliers)
- *The housing sector*

Purpose and Motivation

Many view financial literacy as a tool to reduce poverty, enabling individuals to grow their wealth and protect their assets. On a market level, financial literacy is viewed as necessary to improve the functioning of financial markets and informed consumers are seen as playing an important role as the watchdogs of the industry.

Both government and various non-profit organisations may decide to become involved in the provision of financial literacy programmes. While government tends to focus on broad-based programmes (often as part of a larger life skills initiative), with the objective of the provision of basic financial literacy to as wide an audience as possible, non-profit organisations tend to have a narrow

focus, primarily poverty alleviation, with programmes mostly focused on specific target groups (vulnerable communities such as the elderly, women's groups and highly-indebted individuals), and financial education being tailor-made for the specific audience.

From the perspective of financial institutions, financial literacy where provided is often seen as necessary to enable current or potential clients to make appropriate product choices and to articulate their product needs. Appropriate financial and product decisions, in turn, can reduce risk for financial (and retail) institutions with regard to high default rates and premature product drop-outs.

Whereas financial bodies and institutions generally view financial education as reducing (their own) risk while also benefiting clients and prospective clients, financial education is also viewed as a tool for informing potential clients of product categories and product types, with the goal of increasing their product penetration into select target segments.

Their educational objectives can therefore be viewed as part altruistic (client protection), part self-protection (risk reducing) and part driven by expansionary goals. The degree to which these goals apply depends on the specific programme objectives and the institutions involved.

In summary, **the motivation and purpose of the provision of financial education usually differ widely among stakeholders and includes:**

- **poverty alleviation;**
- **consumer protection;**
- **improved functioning of financial markets;**
- **reduction of risk for individual institutions; and**
- **market penetration**

Content and Target Audience

The content of financial educational programmes varies widely, and depends largely on the organisational objectives and the target audience. The content can include three broad levels:

1. **Broad-based basic financial education** (budgeting, short- and long-term savings). This refers to content which does not relate to a specific sector, institution type or product class, but rather focuses on basic financial literacy concepts such as the concept of money, budgeting and savings (all classes).
2. **Programmes with a specific category focus:** Here we refer to financial education focusing on a certain category of products and/or suppliers (but not institution specific). Examples are banking, assurance, insurance, credit unions and investments.
3. **Programmes with a specific product focus:** This category relates to product specific information, such as the use of ATM's, opening a savings account, home loans and unit trusts.

Furthermore, the programme content usually depends on whether it is aimed at the broad public (e.g. secondary education), at a certain consumer class (or at a group with a specific need, such as individuals with problems of high indebtedness). Some financial education programmes form part of a broader training mandate (such as basic life skills, employee well-being or consumer protection) whereas others are standalone projects. Certainly, a case can be made for both forms.

4. Summary of Global Best Practice in Developed Economies

The US, UK and Australia are usually hailed as best practice providers of financial education globally where a large variety of financial education initiatives are carried out by a number of commercial banks and industry associations complemented by national initiatives aimed at coordinating and strengthening the various initiatives.

In the UK this coordinating function has largely been undertaken by the industry body, the Financial Services Authority (FSA) in collaborative with the Government. This is an inclusive approach and involves collaboration with a wide range of stakeholders such as consumer bodies, government departments and industry bodies. Just recently, as part of HM Treasury's approach to tackling financial exclusion in the UK, the UK Government set out its long-term approach to financial capability in "Financial Capability: the Government's Long-Term Approach" published in January 2007 to complement and coordinate with the FSA's National Strategy for Financial Capability. The report sets out the Government's long-term aspirations to ensure that:

- all adults in the UK have access to high-quality generic financial advice to help them engage with their financial affairs and make effective decisions about their money;
- all children and young people have access to a planned and coherent programme of personal finance education, so that they leave school with the skills and confidence to manage their money well; and
- a range of Government programmes is focused on improving financial capability, particularly to help those who are most vulnerable to the consequences of poor financial decisions.

A **Financial Innovation Fund** is soon to be launched to deliver on these objectives and the Government will also set up an independent feasibility study to research and design a national approach to generic financial advice, establish a ministerial group, chaired by the Economic Secretary to the Treasury, to develop, oversee and coordinate the Government's work; and publish an action plan, by the end of 2007, setting out how financial capability will be integrated into existing services, particularly for those most vulnerable to the consequences of poor financial skills.

In the **OECD** in general, the importance of financial education has increased in recent years as a result of financial market developments and

demographic, economic and policy changes. Financial markets are becoming more sophisticated and new products are continuously offered. Consumers now have greater access to a variety of credit and savings instruments provided by a range of entities from on-line banks and brokerage firms to community-based groups. As a result of changes in pension arrangements, an increasing number of workers will be assuming more responsibility for saving for their retirement.

In 2005, the OECD published the first major study of financial education at the international level based on detailed surveys from five countries (UK, US, Australia, Japan, and Korea), designed to contribute to the development of consumer financial literacy by providing information to policymakers on effective financial education programmes and by facilitating the exchange of views and the sharing of experience in the field of financial education and awareness. The publication focused on issues most relevant to the OECD member countries involving pensions, credit and debt, and the unbanked, and on programmes offered outside of schools. Findings from the study show that:

- **Countries in the OECD are increasingly aware of the importance of financial education**, providing a variety of financial education programmes and initiatives, ranging from websites, to distribution of brochures and pamphlets on selected financial issues, to offering of training courses or conducting media campaigns. A few countries consider financial education so important that they are developing national strategies to coordinate and direct their financial education programmes.
- **Countries also provide financial education on a wide range of issues, including credit, insurance, investment and pensions.** Much of this information is directed to the general public although some of it is targeted more specifically to investors, consumers burdened with debt, or those individuals outside of the financial system.
- **Few countries have undertaken nationally representative financial literacy surveys to determine the financial issues that are of most concern and create a need for increased competence among consumers.** The surveys that have been undertaken indicate that many consumers do not have an adequate financial background or understanding and that they often overestimate their knowledge of financial issues. The surveys that ask questions about consumer demographics find that financial understanding is correlated with education and income levels, although highly educated consumers with high incomes can be just as ignorant about financial issues as less educated, lower income consumers. These surveys also indicate that consumers have difficulty in finding and understanding financial information.
- **There have been relatively few evaluations of financial education programmes to determine what has worked well and what has not.** This is, in part, due to the fact that programme evaluation is expensive and government budgets are limited. Equally important, however, is the difficulty of devising feasible measures to assess whether the main goals of financial education programmes-increasing consumer

awareness and changing individual financial behaviour-have been fulfilled. Where evaluated, financial education programmes have been found to be effective.⁸

- **Financial education programmes might not always be the only effective approach to improving consumer well being.** In certain circumstances other approaches might be needed either as a complement to or a substitute for financial education. Research in behavioural finance has shown, for example, that psychological traits, such as inertia and lack of willpower, might reduce the effectiveness of financial education programmes. This has led some experts to argue for automatic enrolment for products such as defined contribution pension plans along with default contribution rates and default asset allocation.

Based on the results of this study, the representatives of the 30 member governments of the OECD developed a **Recommendation on Principles and Good Practices for Financial Education and Awareness**. The good practices include suggestions on how governments can increase both public awareness of financial issues and the dissemination of financial information, on how financial institutions can provide objective and unbiased information on financial products, on the role of employers in the provision of financial information on retirement saving, and on the issues providers need to consider in determining the content and delivery of financial education programmes.

It is clear from the OECD study that there is much more to do and learn about financial education programmes and how to make them better. Moving forward the OECD is planning to develop further work on financial education and awareness with respect to insurance and pensions. Two further working papers are due out in the next few months. Moreover, the OECD is currently working on developing a code of conduct for financial institutions in this area and a holistic monitoring and evaluation framework for monitoring the impact of national financial literacy programmes.

5. The Global Agenda

The importance of financial education for poverty alleviation is being increasingly recognised in the international fora. For example, during the 2004 Sea Island Summit, the G8 agreed to “make it easier for people in sending and receiving countries to engage in financial transactions through formal

⁸ Research in the United States shows that workers increase their participation in and contributions to 401(k) plans when employers offer financial education, whether in the form of brochures or seminars. Financial education in the form of mortgage counselling has been found to be effective in reducing the risk of mortgage delinquency. Consumers who attend one on one credit counselling sessions have lower debt and fewer delinquencies than consumers who do not. More subjective evaluations of financial education programmes for the unbanked have found that participants are satisfied with the training they received and are more confident about making financial decisions.

financial systems, including by providing access to financial literacy programs, where appropriate, and by working with the private sector to extend the range and reach of these services.”

More recently, in November 2006, a conference on Improving Financial Literacy, held under the auspices of the Russian G8 Presidency with collaboration from the Organisation for Economic Co-operation and Development (OECD), was convened in recognition of the important and growing impact of the financial literacy on economic development. The conference brought together a broad range of government officials, representatives of international organisations and financial institutions, as well as business representatives, with the aim of strengthening mutual understanding of existing challenges in this area. This followed a similar conference held by the OECD in September 2006 in New Dehli, India.

Following a series of presentations, conference participants agreed that the dialogue in the area of financial literacy and financial education should be intensified, in order to achieve the complementarity between public and private sector joint efforts to increase financial literacy and improve the financial system management. The participants also recognized the current risks for the world economy and financial markets associated with the low level of financial literacy.

Participants further agreed that:

1. Financial literacy is crucially important for financial sector development and economic growth. Financial education could help to smooth the road from poverty for vulnerable groups of people. Improving financial literacy of poor, remote and marginalized individuals and households can be achieved through increasing of awareness and confidence of these groups of people.
2. Current demographic change with its significant economic and social consequences has the potential to affect saving behaviour, capital accumulation, the structure of financial markets and instruments to assist in the management of retirement incomes. Other factors making financial education increasingly important are the complexity and number of financial products, rising life expectancy, changes in pension arrangements, etc. Therefore improving financial literacy may be one of the policy measures to manage the impact of these changes.
3. The coordination of efforts of Ministries of Finance, Economy, Education, Central banks and special agencies is extremely important for establishing efficient national systems of financial education. The role of governments in promoting financial literacy and providing consumers` protection is crucial and should be developed in close partnership with other stakeholders, especially with private sector and financial institutions.
4. It is necessary to formulate an international methodology which will allow to regularly evaluate the level of financial literacy and the effectiveness of existing efforts.

The participants agree that next steps on improving financial literacy should take full advantage of the work already accomplished and supported the G8 call for further development by the OECD of financial literacy guidelines based on best practices.

6. Financial Literacy Landscape in Developing Countries

International Policy Level

Despite the soundings at the international policy level over the last few years, there has been **very little systematic research undertaken to date on the status of financial literacy programmes in developing countries**, particularly in low-income developing countries, the benefits and impacts, and the potential gaps in provision.

For example, the World Bank's latest flagship publication, "Making Finance Work for Africa," only makes a cursory mention of the subject stating that *"helping improve financial literacy is also important in ensuring that the poor make good use of the expanding opportunities and do not suffer from bad financial choices, including overborrowing. Financial literacy efforts can also, perhaps, yield dividends by laying the foundation for efforts to nurture norms for honoring financial contracts."*⁹ Moreover, it does not appear from consultations with leading commentators in the field that the issue is being taken up in any substantive way by other donors or other multi-donor bodies such as CGAP. Whilst many international organisations recognise its importance for developing countries, **very little is being done to act.**

Nevertheless, some work has recently been kick-started by the OECD. Whilst the OECD has historically focused its financial literacy agenda on OECD member countries, it has recently been looking to expand its research and cooperation links with developing countries such as India and most recently, also China. It is also attempting to set up a high-level board at the OECD including high-level Ministers, CEOs, and Governors of both NDC's and LDC's to champion awareness of issue. Moreover, the OECD has also recently initiated talks with the World Bank off the back of the November conference to consider the development a large financial literacy fund in collaboration with Russia.

Country Level Efforts

This is not to suggest that financial education has not been receiving attention by national Governments, financial institutions and other actors in developing countries. In many middle-income developing countries the issue has been receiving increasing attention, especially in the countries of the former Soviet

⁹ Making Finance Work for Africa, page 176

Block such as Hungary, Poland, Russia, and the Czech Republic. However, little systematic information is available.

Interestingly, a few countries in the Caribbean are starting to pick up this agenda. For example, Trinidad has recently launched a financial literacy programme with some support via the Commonwealth Secretariat. Trinidad has launched a national programme coordinated by the Central Bank to train teachers and volunteers to pass knowledge on in schools, workplace and community organisations and use existing financial service providers to deliver generic financial education to an expanded group of recipients. Priority groups include primary and secondary school children, young adults, employees in the workplace especially older people who need savings for retirement, community groups (targeting low income groups), and new and prospective homeowners in the Government's housing programme. This programme will start with pilots and then expand after a national survey to determine the current levels of financial literacy so as to assess impact and identify urgent needs.

ANZ bank has also recently been partnering with UNDP since late 2004 as part of a programme to bank the unbanked in Fiji. One aspect of the programme involves delivering basic financial education via village based training and is being extended to all 1200 rural villages and settlements in the country in collaboration with Fiji's National Microfinance Unit. This will be followed up by a survey to measure the impact of financial literacy training on the financial behaviour of rural households.

In Africa and other low-income regions, again little systematic information is available on the status of financial literacy programmes. However, what information is available suggests that the market for financial education remains largely underserved and neglected and financial literacy across all socio-economic groups is perceived to be unacceptably low. Outreach and frequency is limited and content is often narrow and reactive (e.g. debt management) or product oriented, with very few broad-based financial literacy programmes in place.

The following section attempts to provide a flavour of the landscape for financial literacy in a number of low-income developing countries:

South Africa: The financial education agenda in South Africa is by the far the most advanced in Africa compared to its neighbouring countries. A study conducted by the FinMark Trust in 2004 provided a comprehensive mapping of the financial literacy landscape which showed that some progress had been made since the late 1990s in programme delivery; this study is also due to be updated within the next few months.

The South African marketplace has experienced a plethora of activities in financial literacy since the late 1990s. Providers of financial education programmes are varied and range from small NGOs to large financial institutions, industry bodies and government. The form of programme offered is varied and is largely determined by the institutional objectives, the

programme's purpose and the target audience. Programmes range from broad-based generic financial literacy programmes to focused or discrete programmes with a narrow programme content aimed at certain behavioural outcomes such as purchasing a home or increasing retirement savings. Programmes are delivered in a multitude of ways. Delivery ranges from classroom-based programmes – often targeted at clients of financial institutions or employee-based programmes – to individual counselling (indebtedness) or the use of multimedia such as radio and print.

Nevertheless, even in South Africa, which is relatively advanced in driving forward the financial literacy agenda, initiatives launched to date tend to be highly fragmented. Most programmes currently in the marketplace reach a limited audience (generally a narrow target audience such as current or potential clients) and content is category or product specific instead of being broad based and the programmes of many financial institutions has proved disappointing.

However, a handful of institutions have taken financial education seriously, and although outreach may be limited in scope, a number of programmes offer some best practice guidance which could be instructive for the rest of the region. These broad based programs have mainly been derived through the corporate foundations or corporate social responsibility investment arms of financial institutions and include:

- **Teba Bank** has initiated two independent but co-ordinated programmes. The one is a broad-based financial literacy programme targeted at current and potential clients in the communities in which Teba operates. This initiative is partly funded by the Citi Group Foundation. The other is a programme focusing on indebtedness, which was initiated on request of the mine unions as so many of their members are indebted. Both these programmes are in the development phase with research currently being undertaken. Teba chose to fund these programmes through its Foundation to ensure objectivity. This represents one of the few programmes where intensive research is being undertaken upfront to establish needs and the most appropriate form of approach to education.
- **African Bank's Money School** is a life skills enrichment programme for individual and family units, developed to redress debt trapping, encourage a savings culture and good personal money management practises. It is funded by the African Bank Foundation and is a classroom-based programme delivered through employee-based training programmes and through the CIDA City Campus where first year student are trained and become facilitators of the Money School Programme. The Money School Programme was developed by the Bank staff after marketing and sales teams (in close client contact) highlighted the need for financial education. This programme is generic and targeted at a wide audience. Management of this programme falls under the Foundation to maintain objectivity. In the near future the Bank will launch a programme to deliver financial education programmes in rural communities as well. The programmes of African Bank, and particularly the CIDA City Campus programme, illustrate

innovative and cost-effective ways in delivering financial education, such as through the training of community members (students).

- **The Standard Bank** Foundation can serve as an example of how to structure a broader relationship with Government. The Foundation has embarked on an extensive financial literacy programme aimed at schools. They work in conjunction with the Gauteng Institute of Education Development (GIED) and focus on the development of content and teaching aids for teachers. To date, the programme has been rolled out in Grades 7 to 9 in more than 10 000 schools and they aim at rolling it out to all grades in all 28 888 schools in South Africa. This is a remarkable programme in many respects. Much has been achieved in a relatively short period of time and the potential outreach is unlimited. Through this programme, the Standard Bank Foundation has also built relations with government and schools and has open access to schools. The Foundation team is keen to share their learning with other institutions who may also want to partner with Government and the Department of Education.
- **The MicroFinance Regulatory Council (MFRC)** has a formalised education and awareness campaign. In addition to supporting the Banking Council consortia, the MFRC have also launched various other financial education initiatives: a multimedia campaign aimed at informing consumers on their rights when borrowing money, their rights to recourse, the role of the MFRC in the protection of borrower rights and educating them on prudent financial management; the training of educators and advisors of intermediary organisations which run educational programmes amongst employees and in communities; and the launch of a debt relief programme aimed at establishing a network of debt- and financial counsellors and mediators across the country. The MFRC uses different communication tools to maximize outreach to and impact on the different target groups. The impact of their various initiatives has not been formally established, but is being tracked through their call centre and to date has shown remarkable results.

Despite some impressive initiatives, South Africans remain by and large underserved by programmes offering financial education, particularly low income and rural communities. Programmes are also mostly supply driven, and impact assessment is almost non-existent. Hence, much remains to be done in South Africa by current and potential providers of financial education—and in particular by the financial sector – to make South Africa a financially literate nation.

Recently the Financial Services Board (FSB) has been taking more active steps at a comprehensive adult focused national strategy. Moreover, impressive recent progress has been made towards addressing some of the deficiencies through the Financial Sector Charter which was signed at the end of 2003 between a large number of major financial service providers and insurance companies. The Charter sets out commitments for major financial institution signatories to the Charter to annually invest a minimum of 0.2% of annual post tax operating profits in consumer education and some overall

principles have been tentatively agreed for defining which consumer financial literacy areas can be effectively addressed under the Charter in South Africa.

Uganda: With the exception of South Africa, Uganda seems to be the only other country in Africa that has been taking active steps to move forward the financial literacy agenda and there seems to be a reasonable amount of activity, particularly by NGO's and industry bodies. For example, DFID is currently funding two projects; one by the association of MFIs to extend the outreach of training modules adapted from the training modules developed by MicroFinance Opportunities; and the other through Straight Talk and the Communication for Development Foundation building on a previous pilot to deliver a mass media radio campaign to a target audience of 7 million Ugandan's. As the Financial Sector Deepening Uganda programme financed by DFID is shortly coming to an end, DFID is currently working to building a Steering Committee to continue the work supported to date.

Kenya: There currently seems to have been little concerted efforts by any national level actors towards taking the financial literacy agenda forward, although DFID is currently exploring the idea of funding some pilot work in this area under the financial deepening programme in recognition of poor financial education as a major issue and barrier to financial sector development. For example, recent FinAccess study work shows the low levels of financial literacy in Kenya, which appears to be reflected to some degree in large and varying spreads within the commercial banking sector. This effort is currently being complemented by VISA International which has recently launched a pilot financial literacy campaign to train Kenyans on handling their finances. This is being delivered via the use of "road shows" held at community centres in Nairobi, Mombasa, and Kisumu explaining how to set up a bank account, what and how to use a debit card and the importance of financial responsibility (see below for more detail).

Tanzania: Whilst the results of the recent FinScope survey of access to finance in Tanzania show that there is clearly a demand for financial education, none of the key financial sector stakeholders see the issue as a priority. DFID country offices point to a lack of ideas on best practice strategies and research in the area rather than lack of financial resources.

India: There seems to be increasing political support in India by central Government to driving forward the financial literacy agenda. The Governor of the Reserve Bank of India in July last year highlighted the need to further study the issue of financial education in the context of a spurt of new financial products and financial intermediaries "to help customers use transparent information provided by banks in a monitorable manner."¹⁰ A new institute for financial education has recently been set-up in Mumbai and the OECD is currently exploring the potential for collaboration moving forward on this agenda.

¹⁰ Speech by Dr. Y V Reddy, Governor of the Reserve Bank of India on occasion of Bank's Commitment to Customers on July 1 2006 at the RBI, Mumbai.

Pakistan. There currently seems to have been little concerted efforts by any national level actors towards taking the financial literacy agenda forward and there is little pressure on commercial banks to explore new markets and deliver financial education. Nevertheless, commercial banks such as Standard Chartered have been exploring options in the field.

Large Global Actors

Several global financial players are particularly active in driving forward the financial literacy agenda in developing countries; the clear market leaders in this regard are CitiGroup via the City Group Foundation and VISA International. However, as a recent study by ANZ Bank shows, some of the other major global banking conglomerates have various pockets of financial education delivery in developing country markets where they have a market presence including HSBC, Barclays, and a few others.

CitiGroup Foundation

In 2004 the CitiGroup Foundation made a \$200m commitment over ten years to financial education. In 2005, the foundation offered 612 grants in 65 countries, totalling \$22m (an average grant of around £36,000). In total, the foundation has offered grants totalling \$53m in 68 countries, and reaching an estimated 1 million persons. CitiGroup has developed a special training curriculum for kids, teens and adults which is used in the US. The Foundation provides small grants delivered mainly via community based NGO's for financial education programs in three areas - Personal, Small Business, and Institutional - that:

- Lead to the development of assets that can help increase family stability and encourage better consumer habits
- Deliver economic and financial education to young people to help them learn how to create wealth, set financial goals, and make informed financial choices
- Improve how entrepreneurs save, borrow, and invest in their enterprises
- Build the capacity of nonprofits by offering training in financial management
- Offer university training to future leaders to increase their understanding of and ability to manage complex financial issues

CitiBank approaches financial education from very much a short-term market penetration standpoint. Criteria for grant eligibility include the necessity for CitiBank to have a subsidiary and a close operating presence and funding is given proportionate to CitiBank's investment in the region/country. The majority of project spend (around 2/3rds) is delivered in the US where CitiBank derives the majority of its profits, bids have to have a large voluntary component, and time lags to access funds are often as high as 9 months. CitiBank currently operates in around 20 African countries and has provided some grant resources for projects in those countries.

Global Financial Education Program: MicroFinance Opportunities and Freedom from Hunger

The Global Financial Education Program is notable in that it is the first large-scale, global program targeted at people just above and below the poverty line in developing countries and can be regarded as the **only program of its type globally**. It is led by two U.S. based not-for-profit organizations, Microfinance Opportunities and Freedom from Hunger and funded (now in its second phase) through a \$4.2million grant from the Citigroup Foundation.

The program develops curriculum targeted to low income households and trains a broad range of service organizations to use it. To date, it has produced the following five modules:

- Budgeting: *Use Money Wisely*
- Debt Management: *Handle With Care*
- Savings: *You Can Do It!*
- Bank Services: *Know Your Options*
- Financial Negotiations: *Communicate With Confidence*

These topics were selected in response to demand identified by seven NGOs in Latin America, Asia, Africa and Eastern Europe (including South Africa, Poland, Kenya, India, Philippines, Morocco, and Bolivia). Hence, the curriculum was specifically designed by developing countries and can be adapted to varying country and target audiences.

For each of the five modules, the curriculum offers:

- A trainer's guide with step-by-step instructions for facilitating each learning session
- A training of trainer's manual to prepare financial education trainers
- A content note that provides a basic overview of the topic

The program focuses on three main activities: 1) disseminating its curriculum around the globe through training of trainers events and technical assistance 2) developing new curricula; and 3) measuring outcomes of financial education programs. For all activities, the program is constantly looking for institutional partners to join a growing global network of financial educators with outreach capacity to reach large numbers of low income households, trainers, and microfinance institutions and their clients, training capability and prior experience with managing and conducting training, and established and financially secure. **They are also looking for further funding partners to allow them to scale up their efforts.**

To date, workshops on its existing curriculum have taken place in Peru, Kenya, Uganda, the Philippines, China, Indonesia, Sri Lanka, and Pakistan. Emerging themes for new curricula include risk management and insurance, remittances, youth, consumer protection and electronic banking.

VISA International

VISA International, along side CitiGroup, is probably the other most visible global corporate financial player. VISA has its **own broad based unbranded curriculum** which concentrates on explaining how to set up a bank account, what and how to use a debit card and the importance of financial responsibility rather than category or product specific messages. The curriculum is fairly standard and is adaptable to most developing countries environments.

VISA International is of the view that a healthy lending environment benefits all and see their programme content as very much of a public good and have rolled out programmes to date in countries such as Russia, South Africa, and Botswana and are currently piloting a programme in Kenya (as above) using community “road shows” which has proven to work well in the African context due to the tradition of oral communication. In the African context, VISA are wanting to roll put their programme across larger spectrum by going into schools.

They have also recently developed a financial literacy program for the countries of the Gulf Cooperation Council (GCC). The program includes a website (www.ehsib.com) - available in Arabic and English, a Brochure/in-branch material, children's material, and articles and features for local press distribution. Visa is offering it to their banks who are interested in distribution and developing their own programs around these standard materials. CGAP has recently shown some interest in supporting Visa's efforts to broaden the outreach of this program in the MENA region in view of the fact that their financial literacy efforts are not commercial initiatives, are not Visa branded and is part of their CSR program and their goal to make a tangible contribution to improving global financial literacy. As such, VISA International **are interested in working with as many equally committed partners as they can.**

7. Issues and Recommendations

It is clear from the above discussion that financial education can play an important role in contributing to poverty reduction in developing countries by building people's knowledge and skills to optimize the use of resources and take advantage of opportunities. Financial literacy can enhance the ability of people in not so well off households to interface more effectively with the financial system. It can help people manage risk in their day-to-day lives and plan for the future. And it can play an important role in promoting savings and household asset accumulation. There are also important benefits not only for individuals, but also for financial institutions and for the wider economy in developing countries.

Based on the above review of international best practice and analysis of the scant information on financial literacy programmes in developing countries, the following observations and recommendations appear most salient:

- **There is a need for integrating financial literacy into development programmes:** Surprisingly, there has been limited attention to financial education in the context of poverty reduction and financial sector programs in developing countries. There is a need to explore the potential for integrating financial literacy into various types of development programs. For example, those delivering microfinance, vocational education, skills training, business development, health, nutrition, agriculture, and food security programs, life skills classes, school curriculum's, non-formal education, and other non school-based programs for youth.
- **There is a need for improved impact assessment:** At best, it is clear that findings of studies on the effectiveness of financial literacy training programmes have been mixed. From the literature, it appears as though most programmes promoting financial education in developing countries do not have any form of impact assessment. This is in part a function of the recentness of many programmes, and in part a function of the difficulty to assess changes in behaviour and directly attribute the possible changes to the impact of a specific training programme. A concern which has been raised by MicroFinance Opportunities, is that many funders do not hold their grantees or the implementers of programmes responsible for achieving impact. They often also do not provide the grantees with resources to assess impact, which must assess improvements in both understanding and financial behaviour.¹¹ Work is therefore needed in this regard which would could piggy back off the work of the OECD and MicroFinance Opportunities who are at the forefront of developing monitoring and evaluation frameworks to assess the efficacy of financial education programmes.
- **Poor attention is given to HIV/AIDs in financial education programmes:** Given that many low-income countries, particularly in Sub-Saharan Africa, tend to have a very high prevalence of HIV/AIDs (particularly amongst disenfranchised communities), this enhances the need for financial education programmes to flag up this issue and prioritise highlighting the important role of savings. Very little has been done to date in this regard and much more is required to complement the existing activities of financial literacy programmes. Options include:
 - Including reference to financial planning in current HIV/AIDs programs
 - Expanding financial education programmes to include HIV/AIDs issues
 - Integrating HIV/AIDs in financial literacy programmes for specific target groups, such as expectant mothers and ante-natal clinics.

¹¹ Many benchmarking surveys of financial literacy focus on knowledge – rather than on a change in behaviour. This is based on the premise that knowledge acquired will translate into changed behaviour. However, this does not necessarily hold true as financial behaviour is also impacted by other factors, such as access to finance, changes in the economy, economic opportunity, and so forth.

- **There is a need for financial literacy surveys to improve the targeting of financial education:** Whatever the shape and form of a financial education programme, it must be needs driven: the starting point should be the environment and skills requirement of the target community, with the use of relevant language and appropriate delivery mechanisms. Often, many financial education programmes in developing countries, where they exist are not based on significant primary research; hence, programme content is partially supply-driven (i.e. what the providers believe should go into the programme). Formal needs assessment has been lacking to date, and most programmes are largely developed based on the implementers' perceptions of financial education needs. Few countries have undertaken nationally representative financial literacy surveys to scope out current programmes, benchmark current levels of financial knowledge and ascertain financial education needs to inform future programme development. Some studies, such as FinScope, have touched on certain indicators of financial knowledge and confidence, but such financial surveys could be improved to incorporate more explicit questions to track changes over time.

- **Poor lesson learning:** To date there has been relatively few evaluations of financial education programmes to determine what has worked well and what has not, not only in developing countries, but also in OECD countries. Whilst the OECD is taking steps to remedy this situation, much more work is required in developing countries to improve the knowledge base amongst national governments, practitioners and development agencies. The efforts of South Africa to operationalise the commitments under the Financial Sector Charter combined with the OECD guidelines do offer some guidance for developing effective financial education programs. A flavour of some of the most relevant messages are included in Box 1.

**Box 1:
Some Guidelines for Developing Effective Financial Literacy
Programmes Based on Experience of South Africa and OECD**

- Consumer financial literacy programmes, irrespective of how and by whom they are delivered, should focus on building the skills required for individuals to make effective choices regarding their financial lives. Programmes are about much more than product marketing and information;
- Consumer financial literacy makes good business sense. While private financial service providers should not be forced to collaborate or to use unbranded programmes, such approaches should be encouraged in specific situations;
- Consumer financial literacy programmes require the use of multiple delivery mechanisms. In this way they can respond to the diversity of consumers' needs;
- The effectiveness and impact of financial literacy programmes must be credibly monitored over time.
- Expanding effective consumer education towards greater consumer financial literacy will require greater facilitation and coordination between the various national providers
- All stakeholders including Government, industry, and other bodies have a role to play.
- Financially literate consumers must have recourse options available to them and be aware that these options exist. It is government's responsibility to ensure that these are established, either publicly or by private sector players. Consumer recourse processes should be effectively and adequately communicated.
- Financial education programmes should focus on high priority issues, which, depending on national circumstances, may include important aspects of financial life planning such as basic savings, private debt management or insurance
- The role of financial institutions in financial education should be promoted and become part of their good governance with respect to their financial clients.
- Financial education programmes should be designed to meet the needs and the financial literacy level of their target audience, as well as reflect how their target audience prefers to receive financial information. Financial education should be regarded as a life-time, on-going and continuous process starting at school, in particular in order to take account of the increased complexity of markets, varying needs at different life stages, and increasingly complex information.
- National campaigns should be encouraged to raise awareness of the population about the need to improve their understanding of financial risks and ways to protect against financial risks through adequate savings, insurance and financial education
- Financial institutions should be encouraged to specify information on general comparative and objective information on the risks and returns of different kinds of products and to clearly distinguish between financial education and financial information and "commercial" financial advice.
- The development of methodologies to assess existing financial education programmes should be promoted.

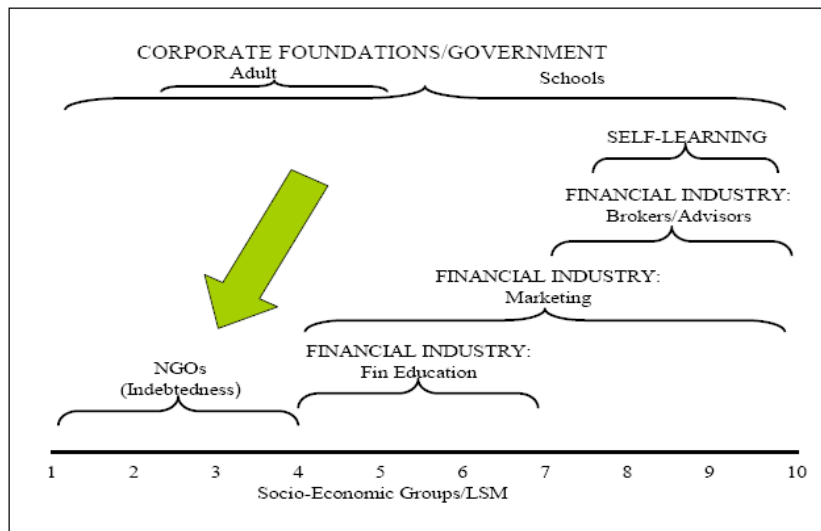
See OECD and FinMark Trust, 2006 for further detail.

- **The Emerging Need for National Strategies:** Financial literacy is not a skill that is acquired through once-off learning. Rather, it is the function of continuous, repetitive learning over a lifetime. Ensuring comprehensive exposure to financial education programmes for an entire population is a daunting task when combined with the varying needs of different segments of society. Whilst there is certainly a need in the marketplace for various forms of programmes and providers, each targeting a specific population segment and focusing on a specific topic, fragmented approaches tend to be inadequate when trying to provide ongoing financial education for all socio-economic groups. Hence, many countries are in need of developing national strategy's to offer financial education over the entire lifecycle of individuals, covering relevant content and using appropriate delivery mechanisms to coordinate existing programmes; to strengthen programme delivery; to

contain costs by leveraging commonalities; and to optimise programme impact despite limited resources. The US, Australia and the UK are already strides ahead with the formulation and, to a lesser degree, implementation of national strategies.

- **International dialogue in the area of financial literacy and financial education should be intensified.** It has been recognised at the international level that financial literacy is crucially important for financial sector development and economic growth. Financial education could help to smooth the road from poverty for vulnerable groups of people. Improving financial literacy of poor, remote and marginalized individuals and households can be achieved through increasing of awareness and confidence of these groups of people.
- **There are clear gaps in the provision of financial education:** In South Africa and other developing countries, much of the focus of financial literacy programmes leaves the lower end of the market – particularly the unemployed, elderly and rural communities – largely neglected from exposure to broad based financial literacy programmes. For example, much of the focus of non-profit organisations has been on vulnerable segments of the population with a strong bias towards reactive programmes such as counselling on indebtedness. In contrast, the initiatives of the financial industry have been largely focused on the lower end of their current or potential target base – primarily low income employed. Many community-based programmes launched in the lower end of the market have been doing exceptional work but their outreach is limited due to a lack of resources. Even where there is strong commitment to broad based financial literacy by the financial sector, poor and disenfranchised communities often remain neglected as the large institutions do not have the infrastructure to reach these communities – and are usually less interested as these communities do not present market expansion opportunities in the near future. Should government or financial service providers in developing countries choose to reach these communities, it could possibly be done through partnerships with existing community-based organisations which already have the infrastructure in place but lack the resources.

Figure 1: Targeting Markets



Source: FinMark Trust, 2004

- **There is a need for more research to inform the evidence base:** Whilst there appears to be a strong relationship between financial literacy, general adult literacy, skills levels, employment status, income and socio-economic status no study has been identified which explores the exact (causal) nature of these relationships. Further research is needed to assess the financial management strategies of different groups of poor, how these can be improved, and the potential role for financial education. The impact of improved financial education on the bottom-line of financial service providers would be a particularly fruitful line of research, which could provide the basis for increased leveraging of private sector resources to deliver financial education in developing countries.
- **The experiences of developed economies is of limited relevance to low-income developing countries:** In the US, UK, Australia, and other OECD countries much of the literature on financial education focuses on classroom-based education, employee-based programmes, and issues concerning the opening bank accounts, how to use credit cards and tackling national challenges specific to the OECD such as indebtedness and pension reform. Whilst some of the lessons are instructive and relevant to the developing country context, much of the literature and basis for financial education in the OECD is grounded by a different focus and premise:
 - In the popular literature, massive numbers of financial education books, guides, and materials are written for people in developed economies. While they incorporate many basic principles that could be adapted to financial education in developing economies, they focus largely on managing finances in the context of higher growth economies with more sophisticated and accessible financial institutions and instruments. They cover investing in stocks, bonds,

and other formal financial instruments, managing housing mortgages and automobile loans, using credit cards, choosing what kind of insurance to buy, setting up retirement and college funds, devising tax strategies, and writing wills. Few of these books are aimed at the poor, and almost none at the poor in developing countries where the focus needs to be more towards banking the unbanked, teaching people what they can get out of financial services, and teaching financial discipline by teaching them how to manage money better.

- Specific features of many developing countries call for additional measures. For example, in much of Sub-Saharan Africa unemployment levels are much higher than in the OECD and many people are employed by small and micro-sized firms without the potential for delivery mechanisms such as employee based training. This creates a need for different types of delivery channels such as multimedia and community based initiatives, particularly to reach disenfranchised communities.
- **Schools provide the opportunity for the broadest outreach over a lengthy period of time.** The importance of school-based financial education programmes have long been recognised in the OECD, where the private sector and government is endeavouring in strengthening financial education at school. Whilst in some countries such as South Africa, the Government has come some way to include financial literacy components in various school-based and adult-based education programmes, given the under-resourced nature of many of these programmes, the effectiveness of these programmes remains to be seen.
- **More pilot programs are needed.** Such programmes are required to continue to test out and refine financial literacy approaches, tools, and materials developed to date (by institutions such as MicroFinance Opportunities and VISA International for less well off people in developing countries).