

# Financial capability and consumer protection

in the context of MFW4A

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# 1. The crisis as a threat to financial access

Abuses in the subprime mortgage market (especially originations) have tarnished the image of financial access

- Gullible borrowers were mis-sold loans they could never afford to service
- Devastating effects on wellbeing of those borrowers – and on the financial system overall!
- Better financial capability could have helped?
- Some policymakers suspicious of access
- But can Africa leap-frog USA?

## 2. Data: Access looking up in Africa?

Available **data** suggests Africa not as far behind other regions in financial access as in many other spheres

- Sizable recent developments
- *But* quality and price may be issues
- Data from other regions show a clear hierarchy of service needs

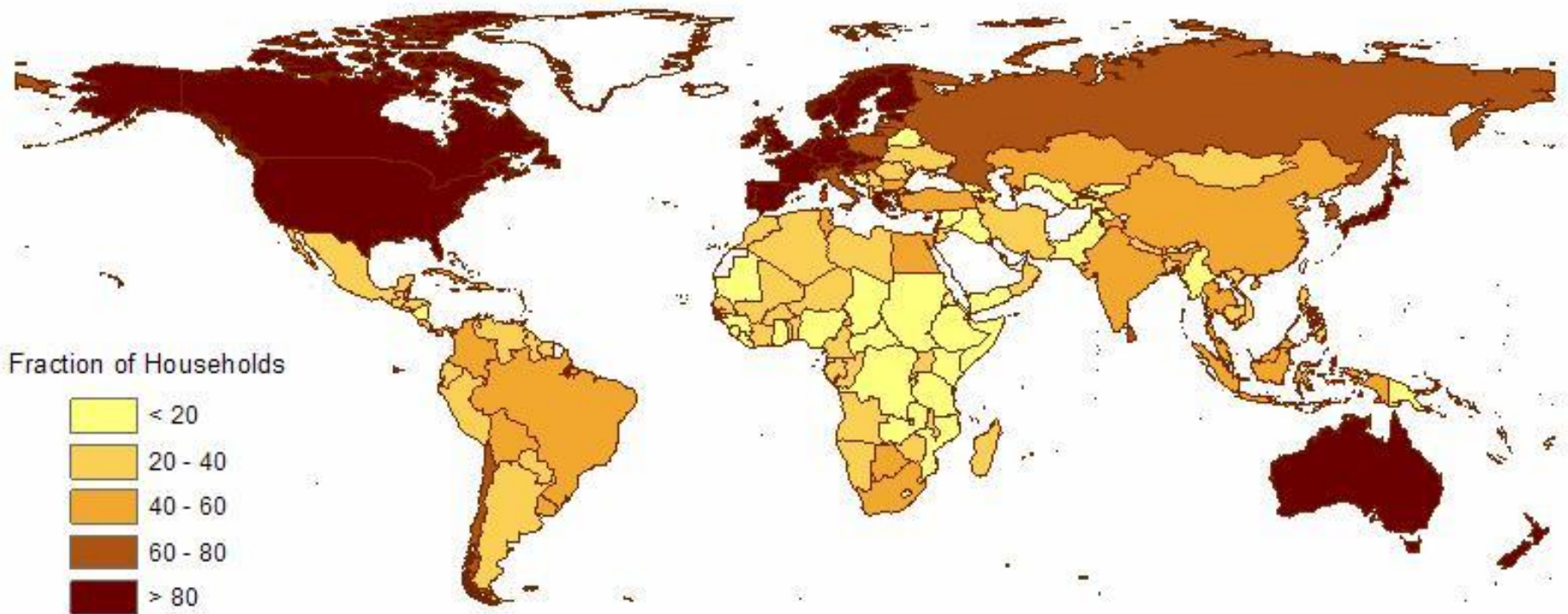
Education matters for access

Quality of finance matters for growth/poverty?

...but does access?

# The Financial Access Map

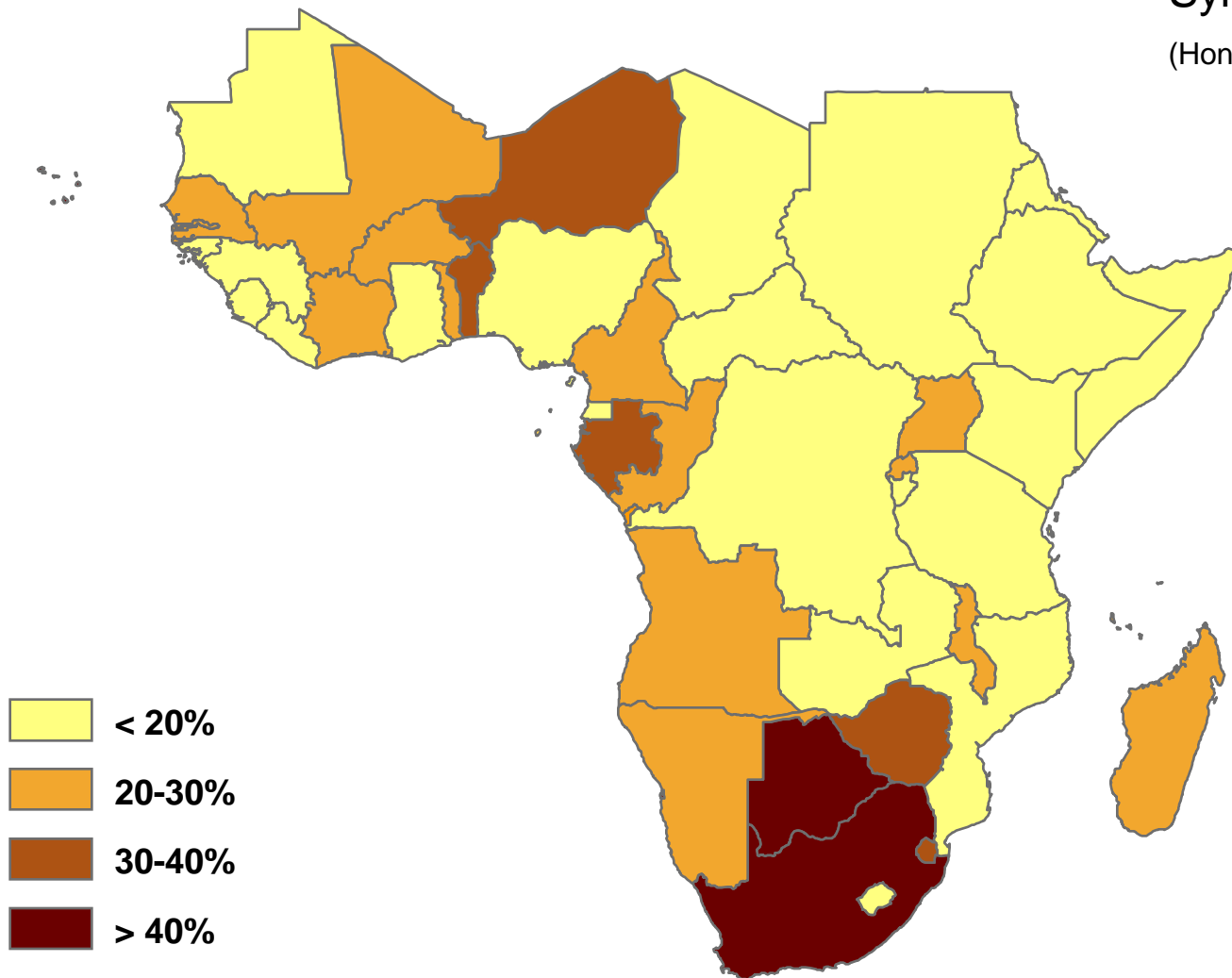
% of Households with an Account in a Financial Institution



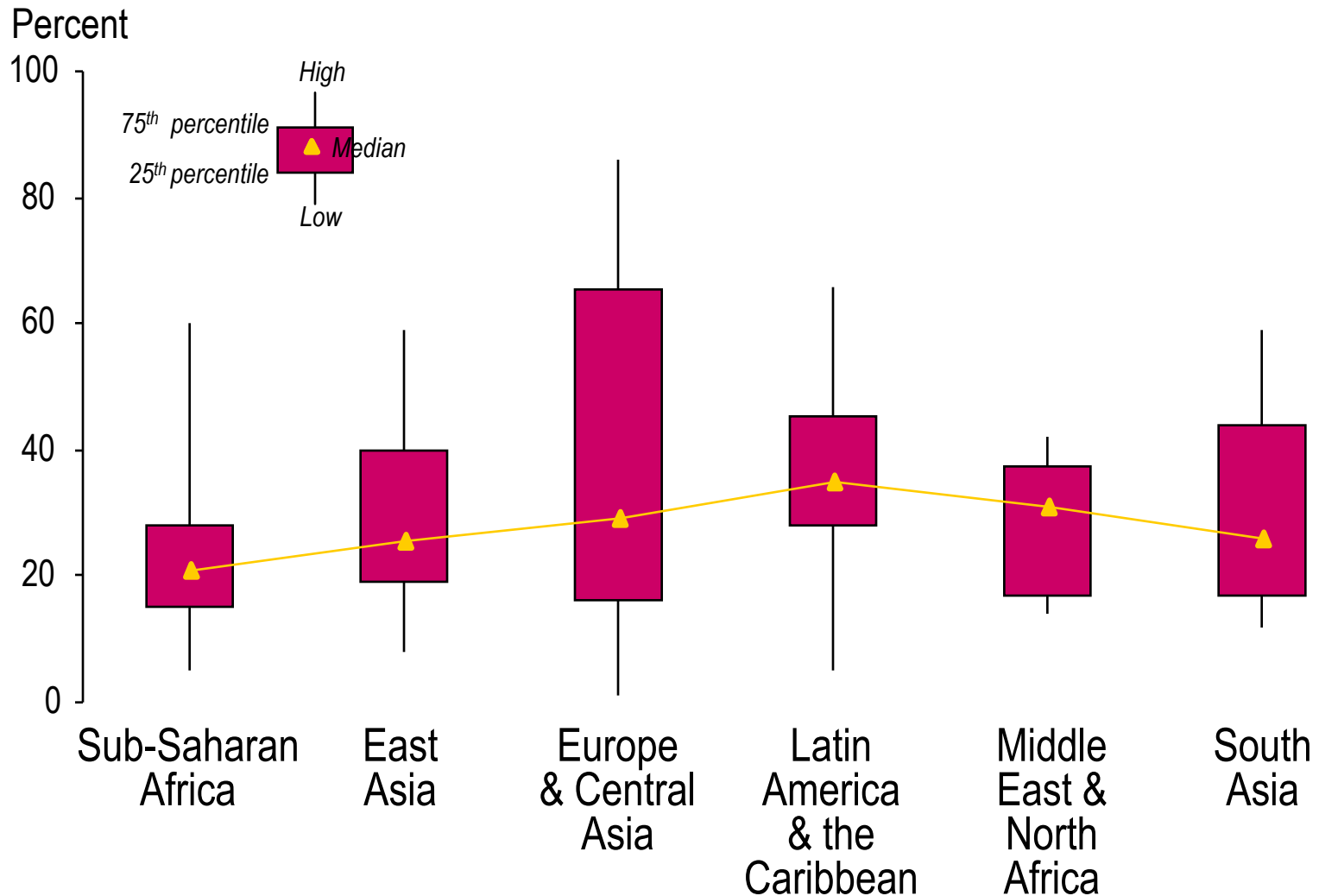
# Sub-Saharan Africa: Access to Finance by Households

Synthetic measure

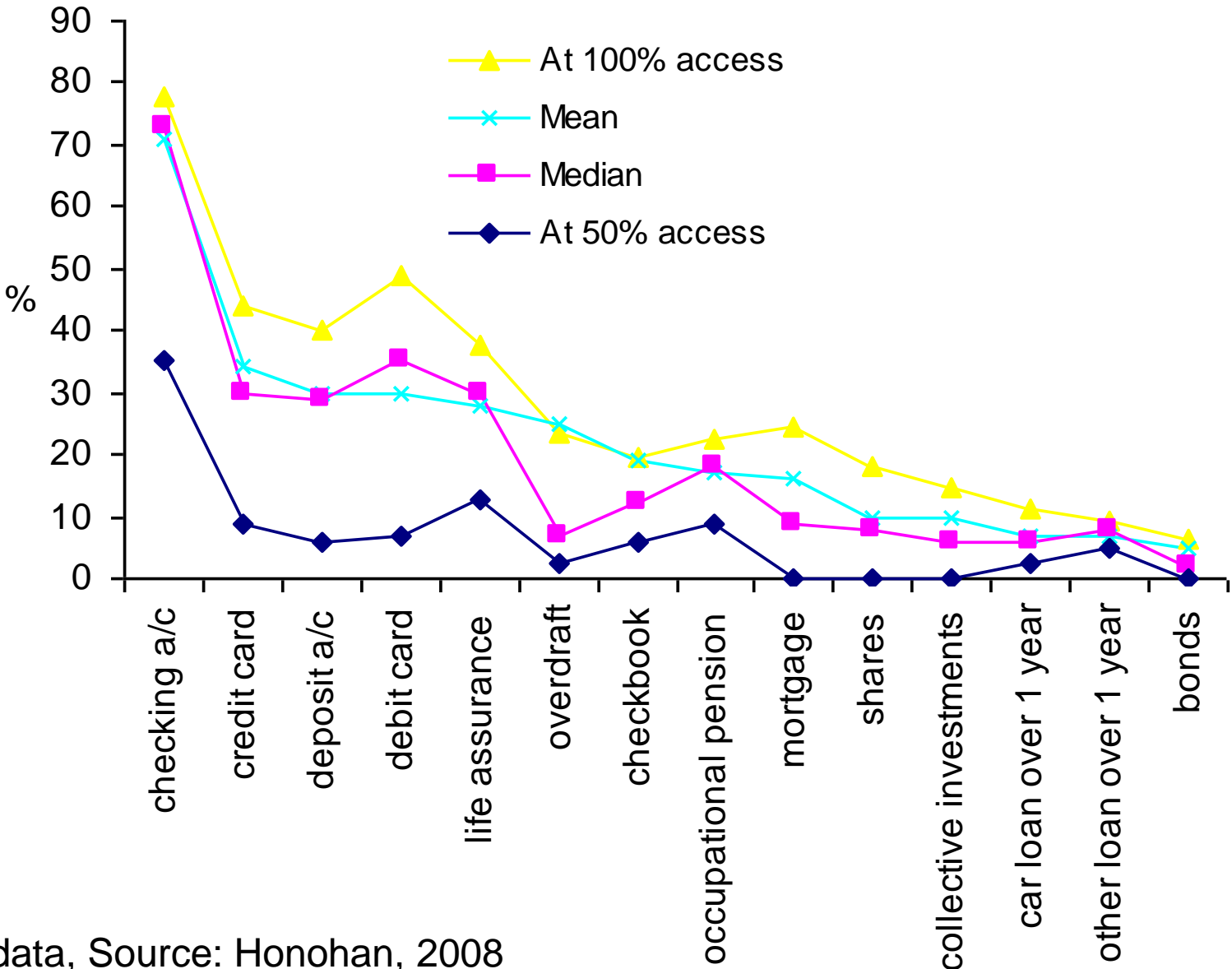
(Honohan, 2008)



# % of Households with an Account Varies by Region



# A clear pecking-order for financial instruments

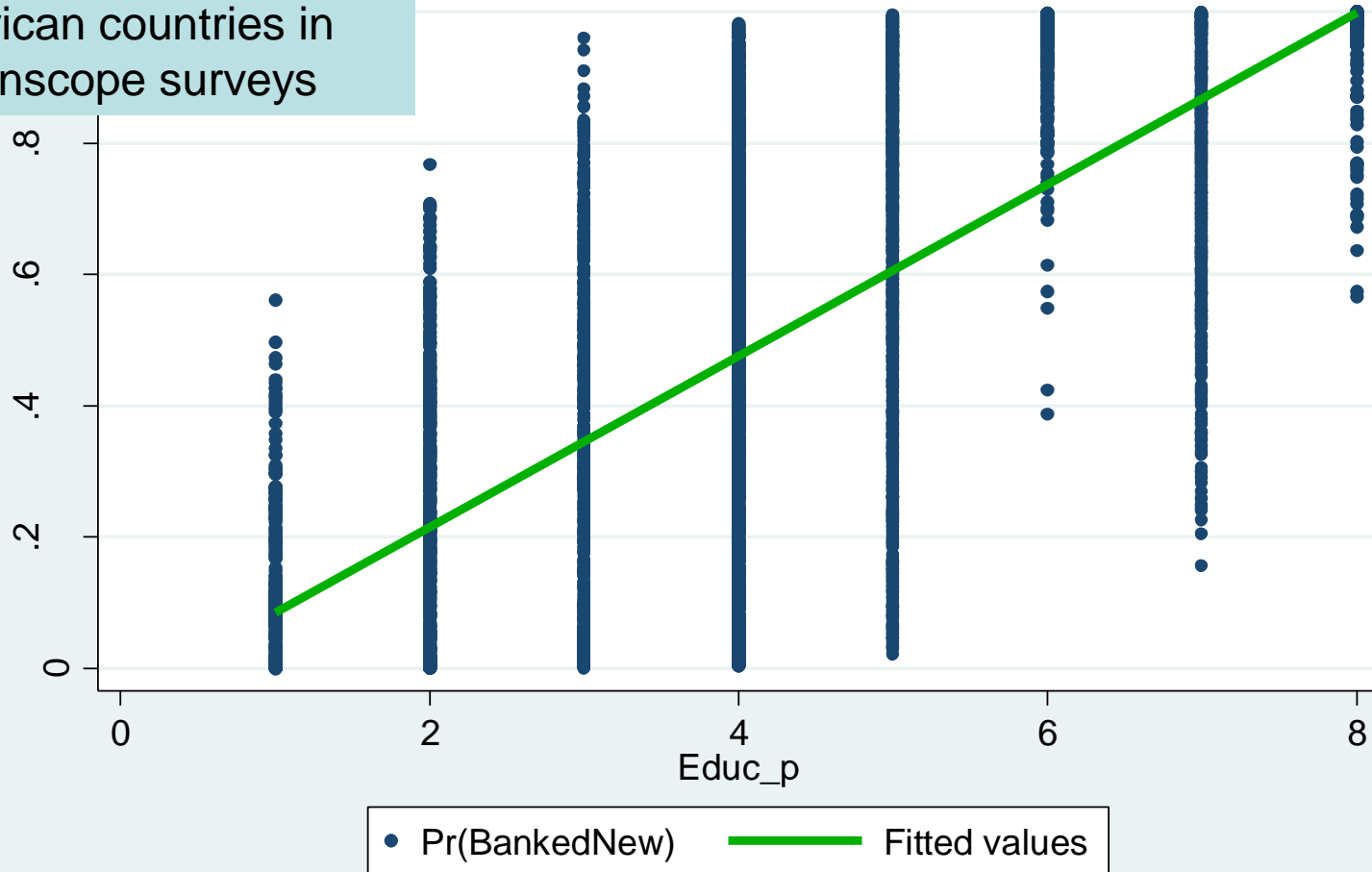


EU data, Source: Honohan, 2008

# Education does matter for access

Education and Predicted Banked

African countries in  
Finscope surveys





# 3. Ten Policy Principles for Expanding Financial Access

## *Institutional infrastructure*

1. Entry, competition
2. Institution-building
3. Stimulating informed demand

## *Regulation*

4. Safety and soundness
5. Protection against abuses
6. Usury laws
7. Cross-agency cooperation

## *Use of public resources*

8. Govt role and market
9. Subsidies and taxes
10. Data collection, monitoring, evaluation

Source: Center for Global Development Task Force (2009)

## For discussion: emphasis on capability, but...

- Does capability/information put too much of the onus on the “victim”?
- Over-simple products for complex challenges (e.g. in rural finance)
- Curriculum could be crucial
- Evidence for effectiveness of education programmes?