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Consumer Empowerment and Market Conduct (CEMC) Working Group

Consumer Empowerment and Market Conduct
National Financial Education Strategies

This guideline note was prepared by the AFI Consumer Empowerment and Market Conduct (CEMC) Working Group to serve as a resource for policymakers developing national financial education strategies.

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The AFI Consumer Empowerment and Market Conduct (CEMC) Working Group is a platform for policymakers in the AFI Network to explore policy and regulatory issues related to consumer empowerment initiatives and market conduct regulations. Since it launched in 2011, the CEMC Working Group has brought together members from across the AFI Network to develop a common understanding of best practices and cost-effective policy tools that can be adopted at national and global levels.

This guideline note was developed by the CEMC Working Group's Financial Education Subgroup, which aims to assist policymakers in AFI member countries to develop national strategies for financial education.

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Context

A CEMC Working Group survey[1] of AFI members revealed that low levels of financial education and literacy were the biggest barriers to improving consumer protection and market conduct regulation and practices. Developing a national strategy for financial education can help to promote financial literacy programs that are scalable and sustainable, and can also help to pave the way for financial inclusion in the medium to long term. There should also be initiatives in place to ensure that consumers select financial products and services that suit their needs and understand how to use them.

This guideline note addresses the challenges of developing a national financial education strategy and aims to assist policymakers in AFI member countries who are developing a strategy that suits their national context.

Purpose and Critical Issues

Since financial inclusion is a mandate of central banks and regulators in many countries, these institutions may assume an initial leadership role with a national financial education strategy.

Close consultation and collaboration with stakeholders is important to develop consensus on the need for financial literacy and a national strategy for financial education. The central bank, a public sector organization, and the regulator, independent of the financial services industry, tend to have unique insights on both the broader challenges of financial inclusion and the role of financial literacy in promoting financial inclusion and enhancing consumer protection. These perspectives give them the credibility to take the lead in a national financial education strategy.

The following tasks are essential to the development of an effective, well-formulated strategy:

- launching the strategy in partnership with key stakeholders and creating a platform for exchange with financial literacy stakeholders;
- coordinating with banks, financial institutions and other potential stakeholders to disseminate information on financial literacy;
- ensuring that marketing of financial products and services are not part of financial education activities;
- including all segments of the population and tailoring information to those with special needs (e.g. youth, women, migrants);
- ensuring that the information meets the needs of consumers and reaches people through various channels; and
- regularly assessing the quality of financial education to ensure it is meeting consumer needs.

Who should take the lead?

The first step in developing a national financial education strategy is to identify and appoint a lead organization. What should you look for?

The lead organization needs to provide **focus, momentum and effective coordination** to ensure that the strategy is not only implemented, but is reviewed regularly and modified as necessary.

It needs to be **resourceful and tenacious**, encouraging others to promote financial literacy initiatives and bring in new partners.

The lead organization needs to have **credibility and influence** with important stakeholders and be able to devote resources to its leadership and coordination role.

Ideally, it should be **independent**, with no products or services of its own to sell.

[1] In December 2011, the CEMC Working Group conducted a stakeholder stocktaking survey of its members in order to, among other things, establish baseline information, identify common practices and strategies and develop recommendations and guidelines for the working group's priority concerns.

Guidelines

Drafting a viable and effective national strategy for financial education is an ambitious undertaking. The following guidelines are intended to assist policymakers in this process:

1. Develop the case for financial education

The first step is setting a national agenda and communicating the need for financial education and financial literacy. It is important to clearly define financial education, to understand the benefits and to articulate how a national strategy for financial education will promote financial inclusion.

2. Conduct a baseline survey and gap analysis

Conduct a survey that asks people about basic financial concepts and to evaluate existing financial education initiatives. It is also important to conduct a supply-side gap analysis to understand the priority areas of financial services providers (FSPs). It is not necessary to reinvent the wheel; existing surveys and the experiences of financial literacy practitioners are valuable resources.

A survey will also help to establish the direction of the national program and to identify groups with unique needs and challenges, such as women, vulnerable and illiterate populations. The survey will become a standard for evaluating and benchmarking future initiatives and may also help to set internal benchmarks.

3. Consult and coordinate with stakeholders

It is essential to involve key players from the beginning. This may take time and effort, but it creates a sense of ownership that anchors the program and encourages success early on.

A taskforce or steering committee of major stakeholders should be established to coordinate and govern program activities. Subgroups with expertise in a particular area can also play an important advisory and coordinating role (such as financial education in schools) and provide guidance and recommendations on other financial literacy programs.

4. Identify priority areas for action

Realistic and measurable priorities must be established based on a country's or jurisdiction's particular level of development. Priority areas may include increasing access to quality financial services and products or more responsible finance. Another important task is setting a timeframe for achieving the priorities.

5. Implement the national financial education strategy

Exactly how a national strategy is implemented will vary from country to country based on factors such as the level of development, the allocation of resources and the structure of the strategy, from the survey stage to coordination and consultation.

The strategy for disseminating financial information should be open and driven by partnerships with stakeholders. It should target all segments of the population, including schools, youth, workplaces, rural populations and micro, small and medium enterprises (MSMEs). It should reach these audiences through channels such as classroom training, outreach programs, street theater, trusted intermediaries, road shows and exhibitions, and utilize mass media, social media and the web, including SMS and innovative and emerging technologies such as portals and online learning (where applicable and accessible). Selection should be based on the cost effectiveness of the channel.

Programs that promote financial education should have a high level of visibility and enable everyone to join in. They must have neutral branding and not compete with the brands of partner financial institutions. Financial advice from participating financial institutions must be issued independently of their product and service offerings. Financial education programs can be coordinated more efficiently and effectively if the population is segmented into target groups based on priority areas, the phase of the program and the unique needs and circumstances of different population groups.

6. Monitor and disseminate results

Monitoring and evaluation are essential for ensuring the national financial education strategy is effective and for identifying areas of improvement. Every financial education program that contributes to the goals of the national strategy should be tested and have a robust, built-in monitoring and evaluation mechanism. Evaluation results can be used to identify the most efficient programs and influence future funding decisions. Sharing the results helps to give the program credibility and ensure that it continues.

The financial education strategy must set targets and measure results in order to make improvements and support an ongoing case for financial education. It must be flexible enough to accommodate suggested changes to the curriculum, dissemination and measurement. Tools should be developed to measure the results of various delivery channels and to conduct on- and off-site monitoring of program delivery. Moreover, an independent third-party assessment is vital for validating the findings of the program and generating credible outcomes.

7. Ensure sustainability

The sustainability of a financial education strategy ultimately depends on the effectiveness of the delivery and overall outcomes. Financial services providers can easily reach large numbers of people; however, they need to see an immediate benefit, such as increased product uptake or an improved image. When these benefits are apparent, FSPs are more likely to continue offering financial education programs over the long term. Without these benefits, they are unlikely to continue supporting the programs.

Sustainable programs are designed around strong funding models that not only serve the needs of participants but ultimately benefit all stakeholders. The sustainability of a financial education program is directly linked to the funding model and public demand for the information. The funding model must strike a balance between maximizing profit for FSPs and meeting social and market development objectives.

Implementing a National Financial Education Strategy: Key Considerations[2]

Agreement on definitions and common objectives

It can be challenging for all stakeholders to agree on the main purpose and content of national strategies and to define the relationship between financial education and financial inclusion.

Buy-in and commitment from key stakeholders

The long-term involvement of diverse groups and the sustainability and drive of the coalition are major challenges. Organizations already active in financial education typically have a strong sense of ownership of their own programs and may hesitate to commit to a new national program. The long-term approach of a national strategy and the lack of an immediately visible positive impact may only widen the divide.

Resources and budgetary issues

Lack of resources is the main reason why many countries do not have a national financial education strategy. One of the main challenges in developing a national strategy is securing credible and long-term sources of funding. Creating separate line items in national budgets for government communication programs and for financial education initiatives could help to guarantee more permanent and independent funding.

Coordination

Addressing demand-side issues, such as reducing barriers to literacy, requires a concerted effort on the part of all stakeholders. Therefore, establishing a long-term structure and process for coordinating stakeholders are critical to the development of a successful national financial education strategy.

[2] Grifoni, A. and Messy, F. (2012), “Current Status of National Strategies for Financial Education: A Comparative Analysis and Relevant Practices”, OECD Working Papers on Finance, Insurance and Private Pensions, No. 16, OECD Publishing.

About AFI

The Alliance for Financial Inclusion (AFI) is a global network of financial inclusion policymaking bodies, including central banks, in developing countries. AFI provides its members with the tools and resources to share, develop and implement their knowledge of financial inclusion policies. We connect policymakers through online and face-to-face channels, supported by grants and links to strategic partners, so that policymakers can share their insights and implement the most appropriate financial inclusion policies for their countries' individual circumstances.

Learn more: www.afi-global.org

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