Financial Literacy Initiatives- A Global Perspective

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"We treat financial inclusion and financial literacy as twin pillars. Financial literacy stimulates the demand side - making people aware of what they can and should demand. Financial inclusion acts from the supply side - providing in the financial market what people demand. While we have traditionally focused more on addressing financial exclusion through many supply-side measures so as to help "connect people" with the banking system, we have come to recognize the demand side imperative also - that financial literacy and education should be developed hand in hand with improving access to financial services."

Dr. Duvvuri Subbarao, Governor, RBI, at the RBI-OECD International Workshop on Financial Education at Bangalore on March 22, 2010

"Financial literacy has become an immensely popular component of financial reform across the world. As a response to the recent financial crisis, the United States government set up the President's Advisory Council on Financial Literacy in January 2008, charged with promoting programs that improve financial education at all levels of the economy and helping increase access to financial services. In the developing world, the Indonesian government declared 2008 "the year of financial education," with a stated goal of improving access to and use of financial services by increasing financial literacy. Similarly, in India, the Reserve Bank of India launched an initiative in 2007 to establish Financial Literacy and Credit Counseling Centers throughout the country which would offer free financial education and counseling to urban and rural populations. The World Bank also hasn't been missing out on the trend – it recently approved a $15 million Trust Fund on Financial Literacy"

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1. Introduction

Financial education primarily relates to personal financial education to enable individuals to take effective actions to improve their overall financial well-being. Financial education can help provide individuals with the knowledge necessary to create household budgets, initiate savings plans, manage debt, and make strategic investment decisions for their retirement or for their children's education. Financial education leads to financial literacy of the citizens. Financial literacy is the ability to use knowledge and skills to manage financial resources effectively for a life-time of financial well-being. Organization for Economic Co-operation and Development (OECD) defines Financial Education as a capacity building process *"by which financial consumers/investors improve their **understanding** of financial/insurance products and concepts; 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 take other **effective actions** to improve their financial well-being and protection".*

2. Importance of Financial Education:

The importance of financial education emerges from a wide range of factors including;

- *Financial education can make a difference not only in the quality of life that individuals can afford, but also the integrity and quality of markets.*
- *Financially educated consumers can benefit the economy by encouraging genuine competition, forcing the service providers to innovate and improve their levels of efficiency.*
- *Financial education will help build more efficient financial markets by improving confidence of the consumers.*
- *Financial education can also help to reduce poverty and improve social cohesion*
- *Financial education is an integral component of customer protection. The difficulty of consumers in identifying and understanding the fine print from the large volume of information leads to an information asymmetry between the financial intermediary and the consumer ,leading to inappropriate choice of financial products by the consumer.*
- *Financial education can play a part in alleviating economic disparity and can also make people less dependent on government financial support and reduce the cost of social programs.*

3. Benefits of Financial Capability:

Financial capability is an individual's capacity, based on knowledge, skills, and access, to manage financial resources effectively. To develop this capacity, individuals must have appropriate access to and understanding of financial products, services, and concepts. Financial capability empowers individuals to make informed choices and take other actions to improve their present and long-term financial well-being.

The benefits from improving financial capability as envisaged by the national strategy in the United Kingdom will include the following.

- *For individuals, in the long term , the Government would expect to see reducing levels of problem debt, the potential for increased savings and appropriate use of insurance products through financial education ;*
- *Better financial capability could reduce welfare dependence;*
- *Financial capability also underpins the skills needed for employment and supports the advance of an enterprise culture;*
- *Active consumers drive competition, helping financial services firms to become more efficient, innovative and globally competitive; and*
- *Higher levels of financial capability could mean lower business acquisition costs for firms, greater persistency and less need for regulatory intervention.*
- *Better-informed financial decisions can save money, and planning ahead can avert crises (for example, uninsured losses or problem debt).*
- *More capable consumers will drive competition, resulting in stronger retail markets that better serve the needs of consumers and allocate capital more efficiently.*

4. Financial Literacy: Core Competencies

Certain core competencies that the financial literacy programmes are expected to generate in the realm of income, spending and saving are explained below.

Core Concept / Knowledge	Action/Behavior
Earning/Income ● Gross versus net pay ● Benefits and taxes ● Education enhances your earning power ● Sources of income	● Understand your paycheck, including deductions ● Learn about taxes and any workplace benefits ● Invest in your education ● Make informed decisions about work, investments and asset accumulation
Spending ● Know how to prioritize spending choices given available resources	● Set financial goals ● Track spending habits ● Develop a spending plan (budget)
● Long –term versus short-term implications of spending	● Live within your means ● Comparison shop ● Understand the effects of spending decisions on yourself and others
● Appropriate purpose and use of transaction (checking) accounts	● Establish and effectively main a relationship with a government-insured financial institution
Saving and Investing ● Understand how compounding helps saved money to grow ● Understand the time value of money	● Start saving early ● Pay yourself first ● Compare different saving and investing options
● Know about federally insured savings accounts/certificates of deposit ● Know about non-deposit investment products (bonds, stocks, mutual funds)	● Build an emergency savings account ● Balance risk, return, and liquidity when making saving and investment choices
● How to meet financial goals and build assets	● Save for retirement, education and other needs ● Save/invest for short-term and long-term goals ● Track savings/investments and monitor what you own
Borrowing ● If you borrow now, you pay back more later ● The cost of borrowing is based on how risky the lender thinks you are (credit score)	● Plan, understand and shop around for a loan with the lowest rate and best terms for you ● Understand when and how to use credit effectively ● Understand how information in your credit report and your credit score impacts you ● Plan and meet your payment obligations ● Track borrowing habits ● Analyze renting/leasing versus owning assets (e.g. home or car)

***Source:* <u>www.financialliteracycanada.com</u>**

5. Approaches to Financial literacy:
In the developed countries, the increasing number and complexity of financial products, the continuing shift in responsibility for providing social security from governments and financial institutions to individuals, and the growing importance of individual retirement planning make it imperative that financial education has to be provided to all. In the developing countries also, the increasing participation of a growing number of consumers in newly developing financial markets will necessitate the provision of financial education if these markets are to expand and operate efficiently.

UK	In the U.K, the Financial Services Authority has developed a national strategy for financial capability of individuals to reduce levels of problem-debt, increase savings, facilitate the appropriate choice of insurance products, and reduce welfare dependence. Responsibilities for leading financial capability in the U.K. have now been assigned to the Consumer Financial Education Body (CFEB).
USA	The US Treasury established its Office of Financial Education in 2002 to promote access to the financial education tools that can help all US citizens make wiser choices in all areas of personal financial management with emphasis on saving, credit management, home ownership and retirement planning. The Financial Literacy and Education Commission (FLEC) , established by the Congress in 2003 through the passage of the Financial Literacy and Education Improvement Act, was created with the purpose of improving the financial literacy and education of persons in the United States through development of a national strategy to promote financial literacy and education. The President's Advisory Council on Financial Capability was established by the US President, comprising experts from non-profit organizations, private sector and academics who will provide advice to the President through the Secretary of Treasury.
Australia	The Australian Government established a National Consumer and Financial Literacy Taskforce in 2002, which recommended the establishment of the Financial Literacy Foundation in 2005. The Foundation has developed a National Curriculum Framework for Financial Literacy to provide benchmarks for teaching the school children the importance of managing their money.
New Zealand	The New Zealand Ministry of Education is entrusted with the responsibility for the development of financial education in schools. An advisory board has been set up to develop a specific action plan. The Retirement Commission provides national leadership and guidance.
Malaysia	The Financial Sector Master Plan, launched in 2001 in Malaysia includes a 10-year consumer education program. This agenda includes infrastructure and institutional capacity development in the areas of financial education, advisory services, distress management and rehabilitation. For this purpose, the Bank Negara Malaysia in partnership with the financial industry and other government agencies, has introduced the Financial Mediation Bureau, Deposit Insurance Scheme, Basic Banking Services Framework as well as a new class of licensed Financial Advisers. Savings and education programs are also promoted in schools. A one-stop centre has recently been established within the central bank for the public to obtain information about financial services in Malaysia and to provide face-to-face customer service on general enquiries and complaints.
Singapore	In collaboration with the government agencies, the Monetary Authority of Singapore launched a national financial education programme (MoneySENSE) to enhance financial literacy and self-reliance of consumers. The programme covers three tiers of financial literacy: Tier 1: Basic money management covers skills in budgeting and saving as also tips on responsible use of credit. Tier II: Equipping citizens with the skills and knowledge to plan for their long-term financial needs Tier III: Imparting knowledge about different investment products and skills for investing.

6. Studies on Financial Literacy
One of the challenges in financial education is to determine whether and how financial literacy can be taught. Studies by researchers done on financial education shows that a large fraction of the population is unprepared to make financial decisions in their personal lives or in a business context. A study by Lusardi and Tufano (2009)2, found low levels of financial literacy in the US population, and an inability to understand basic financial concepts such as the importance of retirement savings, and poor judgment in borrowing decisions. Similarly, Cole, Sampson, and Zia (2009)3 have documented very low levels of financial literacy for households in India and Indonesia. These

studies also found a strong association between understanding financial concepts, better financial decisions, and household well-being. The challenge is to determine whether and how financial literacy can be taught. The evidence so far has been mixed, with large heterogeneity in the estimated success of training programs. For example, Bernheim and Garrett (2003) and Lusardi (2004) provide survey evidence that people who attend financial counseling programs subsequently make better financial decisions, especially those attendees with low income and education levels. Similarly, Cole, Sampson, and Zia (2009)4 found only modest effects from a financial literacy training program in Indonesia. A study by Alejandro Drexler, Greg Fischer, and Antoinette Schoar of London School of Economics in 2011 show that people who were offered rule-of-thumb based training showed significant improvements in the way they managed their finances as a result of the training. In contrast, no significant changes were noticed for the people in the basic accounting training. The basic accounting training is designed to teach beneficiaries the basics of double-entry accounting, cash and working capital management and investment decisions. Instead of teaching the details of working capital management at even the rudimentary level of traditional accounting training, the rule-of-thumb training instructs beneficiaries to assign themselves a wage at the beginning of each month, which they pay out to themselves on a weekly basis, but apart from this they cannot take any money out the firm. This way the owner can learn how profitable the business is without having to do any cash flow analysis. Rule of thumb training follows the traditional approach of teaching first the principles. The study attempted to quantify the effectiveness of training on the complexity of the material versus the depth of the concepts that are taught

7. Surveys on Financial Literacy

a. ING International Consumer Resourcefulness Study

The international survey was conducted among 5000 respondents across 10 countries in Europe, the US, Latin America and Asia to explore how financial literacy of consumers influences their attitude, behavior and emotional well-being related to financial decision making. ING has developed a globally validated assessment tool FQ Test to measure financial literacy in four segments; poor, basic, good and excellent. Some of the findings of the survey include;

- *44% would not find the means to pay for an unexpected bill of USD 1000*
- *59% of the Dutch has the intention to be better at money (versus almost 90% globally)*
- *When there is not enough money left for the rest of the month the Polish are likely to cut costs (71% versus 51% global) and borrow money (24% versus 16% global)*
- *Mexicans expect their kids to retire with a significant higher level of wealth (90% expect this to be higher than their own)*
- *People in Belgium manage their finances in an organized manner. Only 26% feels less organized (versus 36% global).*
- *Only 44% of the Spanish is saving for retirement (versus 59% global).*
- *Romanians find managing finance not that complicated (91% versus 81% global) but 39% feels they are lacking time (versus 20% global).*
- *87% of the households in India have an emergency fund for two months or more (versus 33% global).*
- *95% of the Koreans have the intention to be better at money (versus 89% global).*
- *With 44% scoring good or excellent on the “FQ” test Japan is the most financial literate country.*

Table 1 : FINANCIAL LITERACY RATES

COUNTRY	LITERACY LEVELS GOOD/EXCELLENT %
JAPAN	44
INDIA	40
KOREA	37
NETHERLANDS	36
USA	34
BELGIUM	28
POLAND	27
SPAIN	24
ROMANIA	23
MEXICO	19

Source: ***ING International Consumer Resourcefulness Study, 2011***

b. MasterCard Index of Financial literacy for Women: Asia Perspectives

In March 2011, Master Card conducted a survey viz MasterCard Index of Financial Literacy (Women) of consumers from 24 markets across Asia/Pacific Middle East Africa (APMEA) focusing on Basic Money Management, Savings and Responsibility of Credit Usage and Financial Planning. The key findings are that in Asia/Pacific, women scored the best in Financial Planning (74.6), followed by Basic Money Management (63.9) and Investment (56.7). They are financially savvy to some extent, in particular among the over-30, married, working group. China (60.1) and India (61.4) has a lower Financial Literacy score among women. In India, women as a whole scored the best in financial planning (67.6), followed by basic money management (58.8) and investment (58.9). In the overall financial literacy rankings, India and China have scored over developed countries like Japan and Korea. Chinese women were particularly weak in Basic Money Management and Investment (both 54.4) .Taiwan (68.7) did relatively well in terms of Financial Planning (82.4) and Investment (61.3) .Thai women topped the Financial Literacy Index with an Index score of 73.9 with the highest scores in Financial Planning (87.0) and Investment (69.3) and Vietnamese women with an overall Index score of 70.1.

Table 2 : MasterCard Worldwide Index of Financial Literacy (Women)

Ranking	Scores			
		Components of Financial Literacy Index		
	Overall Index Financial Literacy	Basic Money Management	Financial Planning	Investment
Asia Pacific	**65.7**	**63.9**	**74.6**	**56.7**
1 Thailand	73.9	67.9	87.0	69.3
2 New Zealand	71.3	76.7	72.9	55.2
3 Australia	70.2	75.8	69.0	58.3
4 Vietnam	70.1	65.4	82.8	62.7
5 Singapore	69.4	70.0	80.4	51.5
6 Taiwan	68.7	63.4	82.4	61.3
7 Philippines	68.2	66.6	79.2	55.6
8 Hong Kong	68.0	71.0	67.8	60.9
9 Indonesia	66.5	62.1	79.1	58.6
10 Malaysia	66.0	64.3	75.0	56.6
11 India	61.4	58.8	67.6	58.9
12 China	60.1	54.4	73.3	54.4
13 Japan	59.9	61.7	71.2	38.4
14 Korea	55.9	51.1	65.7	53.1

Source: www.masterintelligence.com

8. Financial Literacy for Poor Households: Some Country Experiences

a.Mexico

During 2008, BANSEFI (National Savings and Financial Services Bank) developed a unique model to deliver financial education in Mexico. Acting as a coordinating entity, they successfully built the capacity and engaged federations and savings associations, savings cooperatives that form part of the People's Network and the government in delivering financial education to low-income households throughout Mexico.

With funding from the World Bank, BANSEFI hired the Instituto de Microfinanzas to deliver a 'Train the Trainer" (TOT) workshops for three federations throughout Mexico: FEDRURAL (Mexico City), Sistema Coopera (Merida, Yucatan) and Federación Alianza (Leon, Guanajuato). They also delivered a TOT workshop for 120 members, staff and board members of three cooperatives that form part of the People's Network. These organizations delivered financial education directly to low-income households in Mexico. The People's Network launched a mobile classroom that conducted financial education workshops on savings and remittances throughout Mexico. The Rural Microfinance Technical Assistance Project (PATMIR) delivered financial education to marginalized, rural populations so they could understand the benefits of depositing savings in the cooperatives and know how to effectively use financial services.

BANSEFI is seen as a leader in financial education due to their role in engaging organizations at both the macro and meso level.

b. Brazil

The financial education program was devised by a Working Group composed of representatives from the Committee for Regulation and Supervision of Financial Markets, Capital, Insurance, Pension Plans and Capitalization (Coremec), in partnership with the Ministries of Education with the aim of strengthening citizenship and the efficiency and soundness of the National Financial System. The Program aims to reach 58 million students in 212,000 schools around the country. The website *www.vidaedinheiro.gov.br* provides a collection of financial education experiences in Brazil, forming a national database. This site also presents tools to support the financial education program in schools, such as a training course for trainers and professional support for teachers in the use of the educational material.

10. Some Innovative practices in promoting financial literacy

- *Canada- the British Columbian Securities Commission's financial life skills course blends fictional characters with real-life financial activities and decisions.*
- *Malaysia -interactive skit **Saving –the Sensible Habit** (about a bear named TRIFF and his friends), performed by a local theatre group, as well as a quiz*
- *New Zeland -Sorted Kids and Money website, with on-line games for children and supporting information for parents and for teachers*
- *Visa and the US National Football League have developed a financial football game... to earn yardage and score touchdowns*

11. Financial Literacy programmes for School Children: Country Experience

Financial literacy has become an increasingly vital skill for young people today, and an important learning tool throughout their adult life. Financial literacy education in the school system has been introduced in many countries.

Chart 1 : Comparison of Financial Education Programme in Schools in Selected Countries

	Lead Organisation	Part of national strategy	Public-private partnership	Age range	Compulsory of voluntary	Stand-alone subject	Qualification available for school children
Australia	The Australian Government's Financial Literacy Foundation	Yes- Part of national strategy led by Financial Literacy Foundation	Yes	5-18	Effectively compulsory	Included in core subjects	Integrated in testing and measurement nationally for years 3, 5, 7 and 9. No separate qualifications
Canada	N/A	No	Yes	6-18	Compulsory in some provinces	Generally, included in other subjects	None available
France	N/A	No	Yes	16-18	Voluntary	Included in core subjects	None available
Ireland	N/A	Recommendations for national strategy to be published in 2008	Yes	12-18	Compulsory in certain subjects	Included in core subjects	Both compulsory and elective elements are examinable
Malaysia	Bank Negara Malaysia; Ministry of Education	Yes – Part of national savings promotion and consumer education campaigns	Yes	7-17	Voluntary	Generally, included in other subject	None available
Netherlands	N/A	Yes- Part of CenfiQ	Yes	5-18	Voluntary, but there are some guidelines which primary school-teachers are required to follow	Generally, included in other subject	None available
New Zealand	Retirement Commission	Under development	Yes	11-18	Voluntary	Generally, included in other subject	Taken by small proportion of students
Singapore	Monetary Authority of Singapore; Ministry of Education, Central Provident Fund Board	Yes – Part of MoneySENSE national financial education programme	Yes	7-18	Voluntary	Included in core subjects	No
UK: England	Department for Children, Schools and Families; Financial Services Authority	Yes (for UK as a whole) – part of national strategy for financial capability	Yes	5-18	Voluntary, but Government expects schools to provide financial education	Generally, included in other subject	Taken by small proportion of students
UK: Scotland	Scottish Centre for Financial Education; Financial Services Authority	Yes (for UK as a whole) – part of national strategy for financial capability	Yes	4-18	Voluntary	Generally, included in other subject	Taken by small proportion of students
UK: Wales	Department for Children, Education, Lifelong Learning and Skills, Financial Services Authority	Yes (for UK as a whole) – part of national strategy for financial capability	Yes	7-18	Compulsory for those aged 7-16	Generally, included in other subject	Taken by small proportion of students

UK: Northern Ireland	Council for the Curriculum, Examinations and Assessment; Financial Services Authority	Yes (for UK as a whole) – part of national strategy for financial capability	Yes	4-18	Compulsory for those aged 4-14	Generally, included in other subject	Taken by small proportion of students
United States	US Treasury	Yes – part of the national strategy for financial literacy	Yes	4-18	Compulsory in some states	Generally, included in other subject	Taken by small proportion of students

Source: www.oecd.org

12. Financial Literacy Programme in India

India has yet to adopt a comprehensive and structured financial education programme at school level but institution-specific initiatives by Reserve Bank of India, various Self Regulatory Organizations, Indian Banks Association, commercial banks, Banking Code and Standards Board of India, and the Securities & Exchange Board of India (SEBI), etc. seek to fill the gaps in financial literacy and education.

a.Reserve Bank of India:

Reserve Bank of India initiated a "Project Financial Literacy" with the objective of disseminating information regarding the central bank and general banking concepts to various target groups. One important instrument in this is the RBI website which is available in 13 languages. The 'Financial Education' web site link offers basics of banking, finance and central banking for children of all ages. In a series of comic book initiatives, RBI has sought to simplify the complexities of banking, finance and central banking, with the goal of making the learning fun and interesting. 76 programmes have been conducted by RBI across the country focusing on twin objectives of financial inclusion and financial literacy in which the Governor/ Deputy Governors / Executive Directors of RBI participated. 160 remote unbanked villages have been selected by RBI for transformation into model villages characterized by 100% financial inclusion through ICT (Information and Communication Technology) initiatives, leveraging on BCs (Business Correspondents) and BFs (Business Facilitators). RBI released a book titled ' I can do Financial Planning' on financial education.RBI organized Town Hall events and release of films on financial literacy

b.Securities and Exchange Board of India (SEBI)

SEBI launched its financial literacy drive targeting the following groups viz School Children, College students, Middle Income Group, Executives, Housewives etc. The program aims at imparting understanding of financial concepts to the targeted groups. SEBI conducted a series of financial literacy programs for school students jointly with National Institute of Securities Markets (NISM) in 2008-09 and positioned it as an important life skill at the school level targeting 9th standard students. In 2009-10, this initiative was taken further in which 72 teachers from 36 schools were trained through 2 workshops. Study materials in the form of kits were distributed.SEBI has also taken up with Central Board of Secondary Education (CBSE) to introduce financial literacy in school syllabus as an essential life skill at school level. FTKMC has assisted SEBI financial literacy programme by contributing material inputs for some of its publications.

SEBI has partnered with Meljol, an NGO having experience in the field of promoting child rights and financial education in schools. The pilot program to cover 14,550 students in 281 schools through 196 trained teachers in Akola and Thane districts of Maharashtra has commenced. This program covers schools in rural and tribal areas of Maharashtra, having high concentration of children from underprivileged communities.

c.Banks

Commercial banks have set up 218 Financial Literacy and Credit Counselling Centres in 20 States covering around 1000 people per centre and over 3, 00,000 people have been covered so far. Lead banks in all districts have been advised by RBI to intensify credit counseling activities

d.FTKMC

Financial Technologies Knowledge Management Co. Ltd. (FTKMC), a constituent of the Financial Technologies Group that has extensive interests in information technology and exchange industry with multi asset class exchanges functioning leading growth regions such as South East Asia, the Middle East, Africa and India. It enjoys the distinction of being a leading provider of solutions and services in the realm of financial sector knowledge. It plays an important role in developing knowledge for markets as also lays particular emphasis and focus in promoting financial literacy. A few of its recent initiatives in the realm of promotion of financial literacy include;

a. *Preparation of a 52 week episode television programme "Money Plant" jointly produced by Doordarshan and MCX Stock Exchange.*
b. *Financial Literacy Diary, a unique publication that serves as reference and record on financial transactions.*
c. *Stock Investors Diary: Essential information for stock investors.*

d.   Primers on Currency Derivatives and Interest Rate Derivatives
e.   Markets in Motion : A weekly briefing on major developments in the economy and finance

FTKMC actively engages with numerous stakeholders in the Indian and international financial markets in the initiatives of developing financial education and literacy programmes.

14. International coordination in promoting financial literacy: OECD

The OECD has set up an international governmental network for financial education with 500 members from 140 institutions representing 69 countries and international bodies. OECD is involved in the planning, coordination and organization of high-level conferences and the global forum on financial education to advance and elevate the dialogue on financial education in the international arena, and to obtain invaluable input on best practices. It established International gateway of Financial Education to fulfill needs expressed and gaps identified by key international stakeholders in the financial education area, including dissemination of comprehensive data, research, studies and information on financial education issues and programmers worldwide and serve as a platform to exchange information, experiences and best practices on financial education between governmental representatives and key stakeholders .OECD also launched a high-level project on financial education in 2003 which is serviced by 2 OECD Committees viz the Committee on Financial Markets and the Insurance and Private Pensions Committee to cover a wide spectrum of issues.

The main goals of this project are to:

- Launch an extensive data collection and ongoing surveillance of financial education developments in OECD and emerging economies
- Develop an analytical framework to address main issues and challenges in the area of financial education
- Elaborate good practices and principles on financial education
- Promote and raise awareness on these issues through high-level conferences and forums, development of a dedicated website and co-operation with relevant partners

15. Looking forward

Financial education is indispensable but financial education alone is not the panacea; it has to be part of a wider policy approach, complementing prudential regulation and calling for consumer protection. The national Governments and all concerned stakeholders should promote unbiased, fair and coordinated financial education. Financial education should start at school, for people to be educated as early as possible. Similarly, financial education should be part of the good governance of financial institutions, whose accountability and responsibility should be encouraged. National campaigns, specific Web sites, free information services and early warning systems on high-risk issues such as fraud for financial consumers need to be put in place. Regulators and other stake holders should be pro active and provide sufficient information to mass media for analysis of issues related to financial products and services. Financial regulators should publish independent information on the costs, risks and benefits of financial products and services. Government and state agencies should consult with financial institutions, consumers and associations to develop proposals that meet consumer needs and expectations. The financial capability of consumers should be measured periodically through broad-based surveys that are updated from time to time. To give adequate thrust and emphasis, financial literacy will require a national strategy (see box 1) and an comprehensive evaluation process (see box 2)

Box: 1 A National Strategy for Financial Literacy

Financial inclusion has become a key policy priority. More than half of households' world do not have a deposit account and are thereby considered to be financially excluded .In Asia, this proportion is even greater. This results in social and economic exclusion and undermine development prospects. For long, financial exclusion has been addressed from the supply side (e.g. new tailored financial products such as microfinance, mobile banking, fiscal incentives and regulation. Financial inclusion is more than a number of bank accounts, it also involves the appropriate use of a range of financial services by all segments of the population. In order to improve financial inclusion qualitatively, supply-side approaches should be combined with demand-side strategies which include financial education and consumer protection .Improved financial literacy in particular can help ensure consumers are aware and make savvy use of financial services available to them for all stakeholders. In this context, a national strategy becomes an imperative for promoting financial literacy. A few major steps towards developing a national strategy will include;

Develop an articulated approach tailored to national circumstances

- Identify national stakeholders and reinforce their co-operation and coordination in an outcome-oriented fashion. Build trust and consensus among stakeholders. Promote intense consultation with interested stakeholders
- –Promote and implement more efficient practices
- –Avoid duplication of resources
- –Promote financial literacy as a life skill and raise overall awareness on this issue
- –Better address financial literacy shortcomings for particular groups or policy issues
- –Develop consultation and elaborate coordination mechanisms
- –Identify national issues and priorities through mapping and assessment of : Population needs,Target audience,Policy issues
- –Clear leadership (ideally mandate on financial education) and coordination/consultative mechanisms-
- –Definition of stakeholders' roles and responsibilities
- –Setting of clear, realistic and measurable objectives
- –Monitoring mechanisms and channels to overcome conflicts of interest related to the involvement of private stakeholders
- –Earmarking of sustainable resources(both public & private)
- –Possible guidance for the implementation phase and an emphasis on robust measurement and evaluation tools
- -Develop evidence of level of financial literacy
- -Compare with the experience of other countries
- -Have key stakeholders involved in the process and contributing to the strategy framework in order to ensure their long-term ownership
- -Establish an adequate structure whenever the co-operation needs to be further formalised
- -Use available evaluation tools (including international instruments)
- -Diversify resources through multipartite partnerships
- -Do not delay the implementation of the national strategy for too long to avoid losing the **momentum**
- **Source: Flore-Anne Messy, 2011. Role of coordinated financial education strategies to improve financial inclusion: An international perspective-OECD Regional Asian Seminar on Financial Literacy27 June 2011, Indonesia, OECD.**

Box : 2 Evaluation of Financial Literacy Program

- Evaluation and Monitoring should go hand-in-hand
- Evaluation can tell you whether particular programmes have been effective and the same programmes could continue to be effective with new audiences. Certain programmes meet a specific objective more effectively or efficiently than others
- Include evaluation in the budget
- Consider using external evaluators: they add credibility, skills and independence
- Design the evaluation in accordance with the objectives and type of programme
- Report what worked, and what didn't work
- Identify the objectives of the programme: work with programme designers to do this. Can you quantify these objectives- how many people should reach a standard; how much money should be saved?
- Consider how the programme is designed to meet its objectives: how will the inputs create the intended outcomes?
- Develop the objectives of the evaluation accordingly: to monitor inputs, to measure change, to recommend adjustments
- A good evaluation ensures that resources are being well spent: it is a wise expense
- Pilot/consumer test before large scale roll out
- Find out how much other evaluations have cost and gather estimates before finalizing the budget
- The amount of money available shouldn't determine the design of evaluation, but may indicate the need to prioritise certain aspects of evaluation
- Look for ways of reducing costs: e.g. sharing questionnaires, drawing on existing data, using(International Network on Financial Education (INFE) guides and drawing on contacts
- Design according to programme type: monitor awareness campaigns, evaluate behaviour change strategies, test knowledge
- Create a control group: lottery for places, random marketing of courses, staggered delivery – according to programme design.
- Count/measure/quantify: how many participants, hours of contact, leaflets distributed etc
- Compare: knowledge, behaviour, attitudes before vs. after – and long after; participants vs. non-participants; targets vs. achievements; budget vs. expenditure, opinions of providers vs users
- Use technology: Administrative systems and websites can automate data collection. Electronic games can store scores and measure improvement.
- Ask (well designed) questions of participants and non-participants, trainers and designers: use surveys, tests, interviews, focus groups.
- Collaborate findings where possible: check bank statements, pension fund records, credit counseling services
- Robust analysis is essential – seek advice
- Don't over generalise: report the findings; get advice on whether they may apply more widely
- Report the method and limitations of the evaluation
- Disseminate the findings widely, using different styles of reporting (newsletter, academic paper.)
- Draw on the report when making future funding decisions & designing future programmes
- Consider comparing your results to those of other programmes
- **Source: Adele Atkinson, Financial Education and Consumer Protection Unit, OECD.**