

# POSITION PAPER



**The contribution of financial education to  
the enlargement of access to finance**

**WSBI involvement, views and proposals**

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WSBI



## ***The contribution of financial education to the enlargement of access to finance***

### **WSBI involvement, views and proposals**

Financial education is at the heart of a number of ongoing policy discussions, at national, EU and international level, both on emerging and on mature markets. It is approached as an essential element of consumer protection and information, but also as a core component of the access to finance debate.

As such, financial education is a key field of WSBI members' contribution to society and interaction with stakeholders. On all continents, savings banks play a key role in educating people on finance and budget, far beyond the scope of their clientele. They are motivated by the strong belief that these initiatives contribute to bank people, prevent social and economic exclusion and that citizens with a better knowledge of financial issues are able to make informed choices.

In order to participate to the ongoing debate, WSBI proposes its vision of the conditions in which financial education could best contribute to address the access to finance gap and to develop sustainable and inclusive retail banking markets. It is based on the experiences of its member banks across the world, more particularly in developing countries, and reflects common views and proposals to improve further the involvement of savings banks and the efficiency of financial education programmes.

In the specific current financial markets context, WSBI would also like to underline the opportunity to further raise awareness of the public on financial education and to emphasize the need for both skilled consumers and responsible financial services providers.

#### **Financial education initiatives are needed on all markets, whether mature markets or developing markets**

Financial education is a topic of relevance on all retail banking markets:

- improving people's financial capability is an issue ***in economically mature markets***, where consumers need to have the skills and confidence to manage and use their money wisely and adequately, particularly seeing that products and services in these markets are becoming increasingly sophisticated and complex to assess for the average consumer. This is especially true at a time when individuals are increasingly responsible for financial decisions, which will impact them and their households in the long-term (retirement, housing, children's education, health, etc).

Besides, the variety and complexity of the financial services offer can sometimes confront non experts with difficult choices to make. They need to be equipped with the appropriate skills to evaluate the different options, ask relevant questions and choose the products and services best tailored to their specific needs. In this respect, financial education also contributes to preventing social and economic exclusion. A recent European report evidences that financial education can play an important role to integrate people at risk of exclusion and to prevent over-indebtedness<sup>1</sup>.

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<sup>1</sup> [http://ec.europa.eu/employment\\_social/spsi/docs/social\\_inclusion/2008/financial\\_exclusion\\_study\\_en.pdf](http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/2008/financial_exclusion_study_en.pdf)

- *in developing countries*, the issue of financial education is to be directly connected to the debate on access to finance, the lack of knowledge on money issues and some possible misconceptions on the role of banks. The primary focus is therefore on financial literacy, with the provision of basic information about money and the benefits of having a relationship with a formal banking institution, the objective being to build the required long-term trust and ultimately to enlarge the level of “bancarisation” of the population.

Besides, financial education can contribute to a more efficient and more proactive use of scarce financial resources by current clients of banks, through a better understanding of the opportunities and options on offer. It is also important to enable customers, especially the most vulnerable ones, to protect themselves from abusive financial practices and prevent them from being overburdened by debt. All in all, the end objective should be to empower people to achieve their own goals through enhancing their financial capabilities.

One of the recommendations of the 2004 WSBI Study on Access to Finance, developed jointly with Oxford Policy Management<sup>2</sup>, was to continue investing in building financial literacy and disseminate best practices. The Study evidenced that of the many factors contributing to a reduced level of access to financial services in developing countries and causing financial (self)exclusion in advanced markets was the lack of knowledge and understanding of money matters in general. It concluded that addressing financial literacy was not an issue for banks alone, and invited the private sector to take some initiatives in this field, as well as to develop private/public partnerships to contribute to making financial systems more inclusive.

#### **Efficient financial education policies require a multi-stakeholder approach**

The experience of a number of countries for which financial education has been identified as one of the policy priorities to enlarge access to finance (e.g. Kenya, Ghana, Brazil, Mexico, Malaysia, Indonesia etc) reveals that the *development of a comprehensive strategy* is required for efficient results. It has to be part of the long-term vision and comprehensive approach defined by governments and/or regional policy-makers for the development of the financial services sector, and also needs to be connected to consumer protection plans.

*All interested stakeholders have to be involved* and work through a collaborative process:

- representatives of Ministries of Finance, but also of Education, and if relevant of Social affairs/cohesion and of Development,
- representatives of central banks and financial services supervisory authorities,
- representatives of the financial industry at large, ie. financial services providers as well as financial intermediaries, such as money transmitters or banking agents as the first points of contact with the public,
- representatives of consumers and civil society, through NGOs, especially women groups, churches, community groups, who can act as demultipliers with the targeted groups of people.

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<sup>2</sup> [http://www.wsbi.org/uploadedFiles/Position\\_papers/2004-02973.pdf](http://www.wsbi.org/uploadedFiles/Position_papers/2004-02973.pdf)

This multi-pronged dimension is a key element to make sure that the strategic objectives and approach are supported by all parties and implemented in a coherent and consistent way. Government bodies have a central role to play in leading and coordinating stakeholders' activities. However, it is important to mention at this stage that the programmes should be effectively delivered through institutions and channels trusted for their credibility and neutrality, in the eyes of the target groups.

WSBI supports the initiatives launched in a number of international fora (OECD, European Commission, World Bank, CGAP etc) to ***place the topic higher on the political agendas*** of national and local governments, education bodies and authorities, financial regulators and institutions. It is willing to contribute to the exchanges of experiences initiated, and is facilitating such sharing of best practices within its own network.

### **Financial institutions, such as savings banks, bring a key contribution to financial education of people**

WSBI is convinced that ***financial institutions have a key role to play*** to educate people on money matters. While the responsibility of governments and public institutions is to give the policy orientations and provide the overall support to financial education strategies, as well as to raise awareness on potential financial needs and risks and to encourage people to anticipate and prevent personal financial difficulties, financial institutions, including savings banks, can be involved in delivering financial education programmes. Given their knowledge of clients' needs, they can efficiently bring their expertise to financial education campaigns, provide technical input to the development of targeted projects, facilitate access by leveraging the client base etc, on a voluntary basis.

However, their involvement must always be done in a ***fair, transparent and unbiased manner***, through the provision of generic information, unrelated to a particular product and should not expand into advice or financial counselling. Inviting financial institutions to join forces in a financial education coalition and develop education projects together, supporting partnerships between private and public stakeholders, developing a national network of financial education or setting up an independent financial education structure<sup>3</sup> are all successful solutions to which savings banks contribute throughout the world, with a view to provide training for the general public, and not specifically for the clients of a given bank.

As proximity banking institutions, WSBI member banks have always been involved in financial education, through the creation and participation in various initiatives at local level, aiming at ***increasing the financial capability of citizens, far beyond the scope of their clientele***. Their dedicated initiatives focus on all kinds of public -households/families, unbanked, vulnerable people (children, older people), low-income part of the population, socially excluded etc -and cover all types of issues – basic money issues, budget planning, personal finance management, use of payment instruments, borrowing, savings etc<sup>4</sup>.

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<sup>3</sup> *Finances et Pédagogie* in France [http://www.groupe.caisse-epargne.com/asp/ci\\_modele2.aspx?np=finances\\_pedagogie\\_ci](http://www.groupe.caisse-epargne.com/asp/ci_modele2.aspx?np=finances_pedagogie_ci) or <http://www.finances-pedagogie.fr/html/index.asp>; *Geld und Haushalt* in Germany <http://www.geldundhaushalt.de/?bankcode>

<sup>4</sup> For case studies and examples of WSBI members' initiatives in the field of financial education see [http://www.esbg.eu/uploadedFiles/Publications\\_and\\_Research\\_\(WSBI\\_only\)/financialeducation%20wsbi%20screen.pdf](http://www.esbg.eu/uploadedFiles/Publications_and_Research_(WSBI_only)/financialeducation%20wsbi%20screen.pdf)

Five elements are key in the effectiveness of these programmes:

- their adaptation to the local social, economic and cultural context,
- their adjustment to the needs of each of the target groups, their specificities and languages,
- the timeliness of messages, which translates through a focus on key adult life stages - starting working, business launch, marriage, retirement etc-, and on life crisis when people prove more receptive -natural disaster, unemployment, loss of income generating member of family etc,
- the channels used for the dissemination of information, which must combine attractiveness and relevance for the targeted group. They include road shows (e.g. Financial Literacy Days by *Sberbank* Ural's branch in Russia), prizes for journalists writing on financial education topics (*BancoEstado*, Chile), and more classical workshops/seminars, trainings, distribution of leaflets and brochures, commercials, quizz and games and whenever appropriate, interactive technology supports,
- the involvement of all categories of stakeholders (financial institutions, NGOs, public authorities, education centres etc).

Financial education is indeed ***part of savings banks' wider commitment to the communities*** in which they operate. Contributing to the improvement of living conditions, supporting the local economic development and building greater social cohesion at local level is an integral part of their identity and one of their distinctive features amongst financial players. It forms one of the pillars of their Corporate Social Responsibility engagement. Financial education leading to greater financial inclusion and empowerment contributes to these objectives.

In addition to dedicated financial literacy and education programmes, savings banks also ***incorporate financial education aspects in their service delivery***. For example, the core mission of the *Government Savings Bank* (GSB) of Thailand and of the *National Savings Institute* in India is to inculcate the habit of savings to the population, with a view to contribute to the country's economic and social development. Therefore, they provide information as to the advantages of savings and guidance to encourage people to save, as well as incentives to stimulate a savings attitude: GSB *People's Bank* programme takes into account both the amount saved but also the frequency of deposits to give access to the microloans. Equally the *Vietnam Bank for Agriculture and Rural development* (VBARD) has developed a savings/borrowing programme for farmers, based on a group approach.

Specific emphasis is also often put on the ***direct impact and concrete benefits that having a bank account*** or improving the management of one's budget or financial planning could offer, as a means to translate a theoretical presentation into a personalised, real-life case for the beneficiaries. The *Progrese* savings account of Banco BCSC from Colombia for example requires that the account holder defines a concrete purpose for his/her savings (e.g. buying a motorcycle, paying for a driving license) and then defines a savings strategy with his/her account officer, who will act as a financial coach for the project. This proves useful not only to provide very concrete illustration about savings, but also to disseminate basic information about responsible consumption and the risks of (easy) credit.

All in all, WSBI believes in the ***benefits of increasingly empowered consumers*** as this will indeed contribute to an efficient and well functioning financial system for all market players. Better informed customers stimulate banking providers to better respond to their demands and act as a positive engine for products and services innovation.

## **Financial education along the social and financial inclusion chain**

For savings banks operating both in developed and in developing countries, the provision of financial literacy skills is one of the essential pillars of the promotion of banking and social inclusion. Therefore, their primary targets are the end beneficiaries, i.e. the individual or group of individuals which a dedicated scheme seeks to enroll in the formal banking system or whose knowledge and understanding is being upgraded. However, and beyond this central objective, the networks, organizations, intermediaries involved in the provision of social support at large should also be mobilised on the importance of financial education. It is therefore ***essential that when national financial education strategies are being defined and when the mapping of stakeholders is being developed, those social support actors are also counted as core elements of the financial education chain.***

Based on this experience and given the specific context of developing countries, WSBI is convinced that financial education training should be provided to stakeholders in a position to act as strategic vehicles to promote financial education, and at least to raise awareness on the importance of the topic with larger groups of people. In this respect, ***community-based organisations interacting with the unbanked parts of the population*** would be core targets. One of the main goals of financial education in developing economies being to enable the largest part of the population to get enrolled in a formal banking relationship, building bridges with the external world to reach the still unbanked people is key. To this end, ***partnerships with civil society groups, and long term relationships based on mutual understanding and trust with social leaders and community-based organisations would be instrumental.*** This network could be an appropriate channel to provide financial education and literacy support. Stakeholders should include not only NGOs bringing specific support to low income people or underserved groups, but also educated people, consumers and women-groups, churches, for whom awareness-raising would be a plus.

### **Financial education programmes for children and young people are a must to develop informed and responsible consumers**

Savings banks believe that financial education should be available and actively promoted at all stages of life, on a continuous basis and as early as possible. In a number of countries, specific programmes for children's education to the basics of money have been developed, not only to support their habit building, but also because children are key actors of change for their families, and more generally for households and communities' attitude to money.

A key objective for governments could therefore be to strengthen basic financial education programmes at school. Although well aware that this is a decision to be taken by national authorities, WSBI would nevertheless call on national governments to ***consider including financial education in the primary and secondary school curriculum.*** Early findings by the OECD Project on Financial Education at Schools conclude that this could be best done as a compulsory element -either as a stand-alone subject or incorporated within other subjects (e.g. mathematics, citizenship, living skills, entrepreneurship)<sup>5</sup>.

Children and young people are indeed the groups for whom savings banks have most invested to enable them to be exposed to banking institutions, to the account concept and the management of money at an early stage, with the provision of the relevant tools and support to get familiar with the basic functioning of the money chain.

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<sup>5</sup> OECD Project on Financial Education at Schools, October 2008  
<http://www.oecd.org/dataoecd/25/49/41629112.pdf>

To this end, a number of *school based banking schemes* have been successfully developed (GSB Thailand; Hatton National Bank, Sri Lanka) as well as Youth Savers Clubs (BSN Malaysia). WSBI has also been involved with Aflatoun, a network organisation working worldwide to provide children with financial and social education<sup>6</sup>. The programme is based on a child-run savings scheme developed within schools, currently implemented in more than 20 countries. WSBI encourages its member banks to act as banking partners to collect the savings of children, and successful partnerships have developed so far in Uganda, with Postbank and in the Philippines, with the Postal Savings Bank. The 2008 World Thrift Day was celebrated jointly by WSBI and Aflatoun to promote Children Social and Financial Education<sup>7</sup>.

The fact that in these programmes the *pupils manage themselves their own money and savings* proves a very powerful asset to accelerate the learning process, develop their sense of initiative and responsibility. And these will be learnt for life.

In this respect, the European Stock Market Learning programme coordinated by the European Savings Banks Group<sup>8</sup> is also a good example of such hands-on education schemes. Stock Market Learning is a pan-European initiative involving each year more than 40, 000 teams of students from 7 EU countries (Austria, France, Germany, Italy, Luxembourg, Spain and Sweden) who are invited to manage a virtuous portfolio of securities through the Internet, for a period of 10 weeks.

These programmes have also overcome one of the main challenges for the “young people” target group, which is the lack of attractiveness of financial matters. This requires that creative and attractive solutions are found so that children will find the *proposed education tool engaging*. The learning by doing method, as well as the “edutainment” approach, with interactive tools, web-based games, multiple delivery channels, relay in media including TV reality shows, and possibly identification with a well known figure from the sport or show-business scene appear as the most successful channels.

As far as children are concerned, the *New America Foundation*, as part of its *Global Assets Project*, released a study in July 2008: *Child Savings accounts: Global trends in design and practice*<sup>9</sup>, which features a number of WSBI members’ products and services for children, most of which include a substantial education part to inculcate the habit of savings: BancoEstado, Chile; BAPRO, Argentina; Caixa Economica Federal, Brazil; Kenya Post Office Savings Bank; Hatton National Bank and National Savings Bank, Sri Lanka; Fedecredito, El Salvador; GSB Thailand; Bansefi, Mexico<sup>10</sup>.

**Financial education is not the unique and magic solution to solve all the problems related to the access to and the usage of banking services and products.**

While WSBI considers financial education as an important element when aiming at enhancing access to finance and consumer confidence, it is essential to acknowledge that *in itself it cannot solve all the problems* related to “bancarisation” and handling personal finance. It should be an integrated part of broader policy initiatives on consumer protection and fair market practices, and be a complement, and not a substitute, to proper financial regulation.

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<sup>6</sup> [www.aflatoun.org](http://www.aflatoun.org)

<sup>7</sup> <http://www.wsbi.org/uploadedFiles/News/2008%2010%2031%20World%20Thrift%20Day%202008.pdf>

<sup>8</sup> <http://www.stockmarket-learning.eu/>

<sup>9</sup> [http://www.newamerica.net/programs/asset\\_building/global\\_assets\\_project](http://www.newamerica.net/programs/asset_building/global_assets_project)

<sup>10</sup> [http://www.newamerica.net/publications/policy/child\\_savings\\_accounts\\_global\\_trends\\_design\\_and\\_practice](http://www.newamerica.net/publications/policy/child_savings_accounts_global_trends_design_and_practice)

In a developing economy context, policy actions and market-driven initiatives need to be combined with *policies supportive of building inclusive financial sectors*, as well as, and if and when relevant, responsible lending, targeted regulation of products, the provision of fair and adapted consumer information, and tailored and adequate advice.

When looking at the various options opened to develop consumer protection rules in a market where the provision of formal financial services is still at a developing stage, one should also closely look at:

- the different levels of protection which could be required for different types of clients, and for different categories of products. Basic products may be offered to unsophisticated clients, who are probably also the ones with the most limited financial knowledge and skills;
- specific distribution channels require specific attention. In the case of branchless banking especially, the status of the agent (be it a lottery kiosk, a pharmacy, a newsagent or any other kind of retailer) vis-à-vis the bank has to be unambiguously disclosed to the clients, as well as the scope of the activities undertaken on behalf of the bank.

In any case, the appropriate balance must be found between products and services innovation, access to finance and protection of the consumer.



## About WSBI (World Savings Banks Institute)

WSBI (World Savings Banks Institute) is one of the largest international banking associations and the only global representative of savings and retail banking. Founded in 1924, it represents savings and retail banks and associations thereof in 92 countries of the world (Asia-Pacific, the Americas, Africa and Europe – via ESBG, the European Savings Banks Group). WSBI's mission is to excel as the international representative of its members. WSBI contributes to its members' strategic aspirations and reinforces their role as leading players in their chosen markets. At the start of 2006, assets of member banks amounted to more than €8,081 billion, with operations through more than 191,000 branches and outlets. WSBI members are typically savings and retail banks or associations thereof. They are often organised in decentralised networks and offer their services throughout their region. WSBI member banks have reinvested responsibly in their region for many decades and are one distinct benchmark for corporate social responsibility activities throughout the world. Please visit [www.savings-banks.com](http://www.savings-banks.com) for more information.



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