

Financial Inclusion and Financial Education

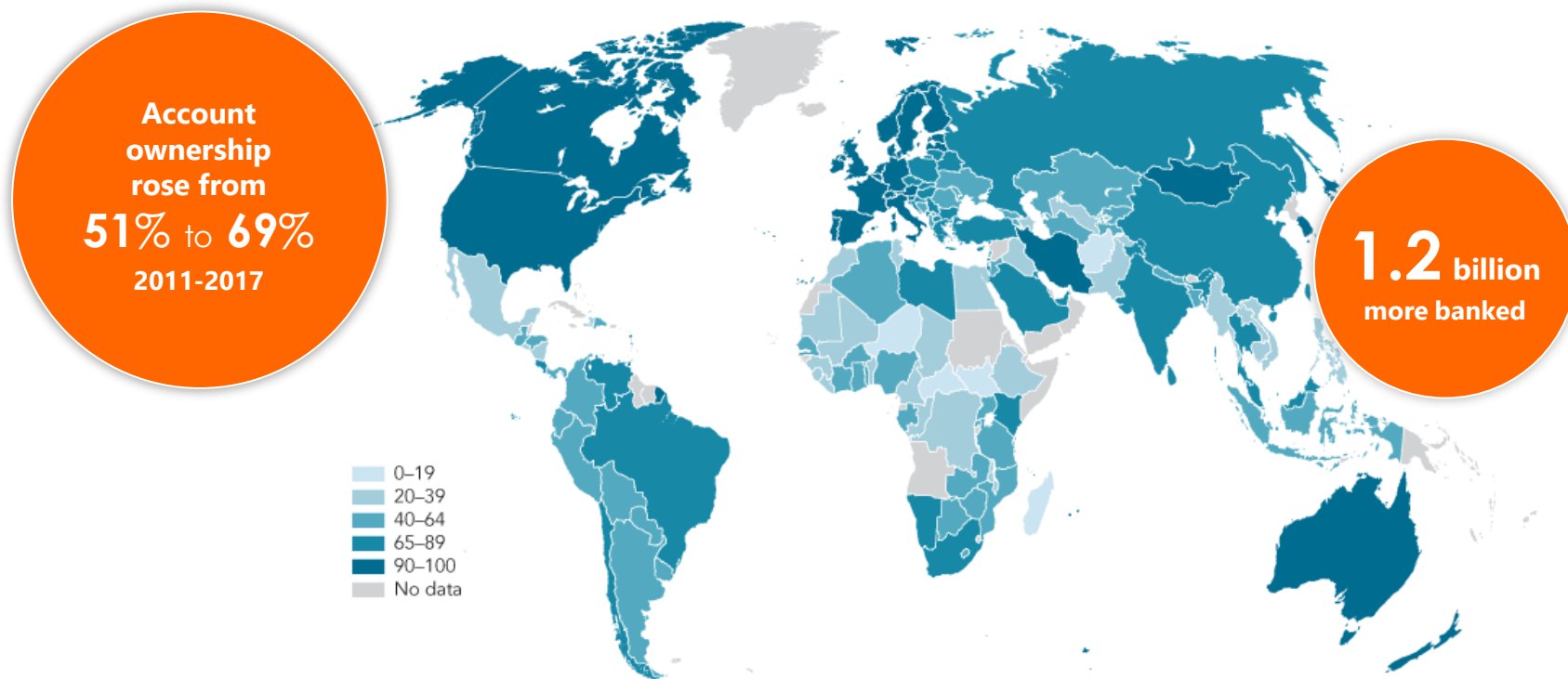
Oya ARDIC ALPER
World Bank Group
June 29, 2018



There has been extensive progress in financial inclusion

Today, **69%** of adults around the world have an account

Adults with an account (%), 2017

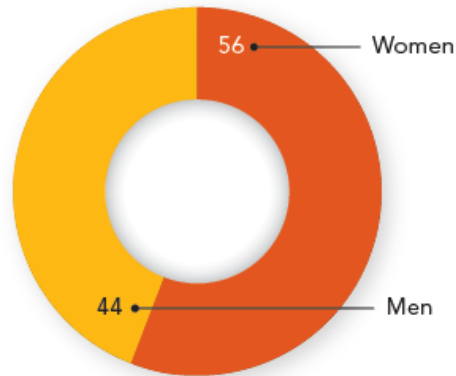


Source: Global Findex database.

Who are the unbanked?

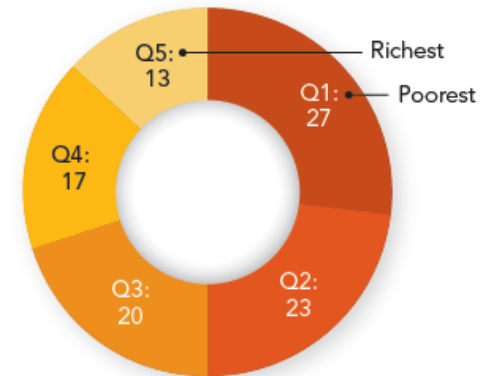
- Women
- Poor
- Young
- Unemployed

Worldwide, most unbanked adults are women
Adults without an account by gender (%), 2017



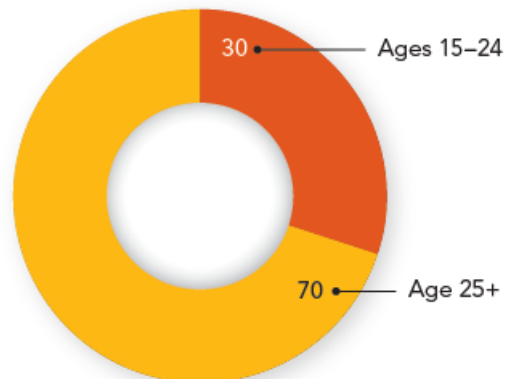
Source: Global Index database.

Twice as many unbanked adults live in the poorest households in their economy as in the richest ones
Adults without an account by within-economy income quintile (%), 2017



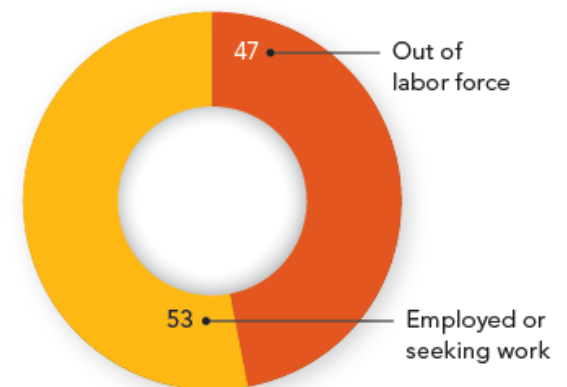
Source: Global Index database.

Three in 10 unbanked adults are between the ages of 15 and 24
Adults without an account by age group (%), 2017



Source: Global Index database.

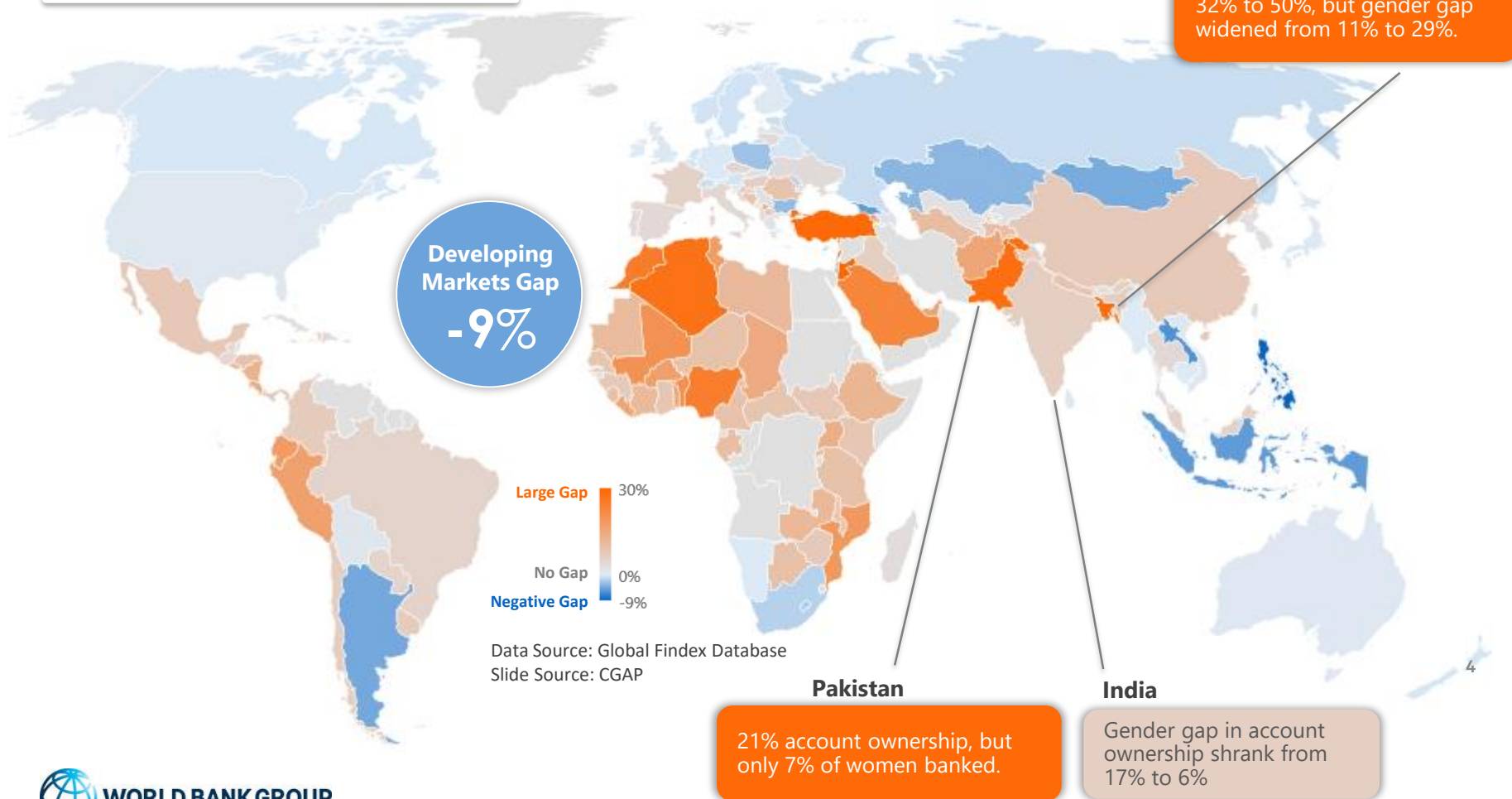
Almost half of unbanked adults are out of the labor force
Adults without an account by labor force participation (%), 2017



Sources: Global Index database; Gallup World Poll 2017.

Access for Women Remains a Critical Challenge

The gender gap in Developing Economies Remains unchanged at 9 percentage points since 2011.



Albania

Upper middle income country
Adult population (age 15+): **2.4 million**
National Financial Inclusion Strategy (NFIS): No

Bank Account Ownership

40%

Has account,
% adult population

* % adult population

39%

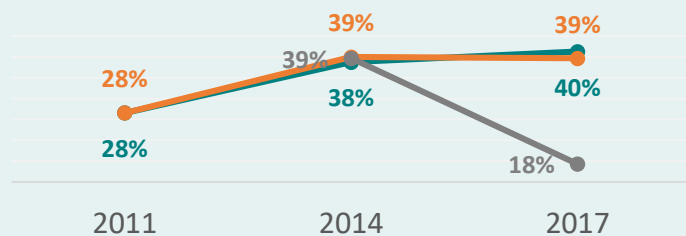
Has financial
institution
Account, %
adult
population

18%

No deposit
and no
withdrawal
in the past
year, %
adults with
an account

Has account
Has financial institution account
No deposit and no withdrawal in the past year

* % adult population



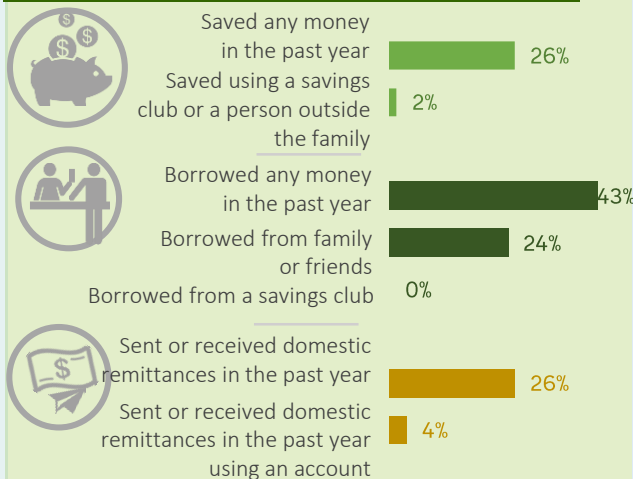
Data sources: Global Findex Database 2017, Global FICP for the NFIS data

No financial institution account because

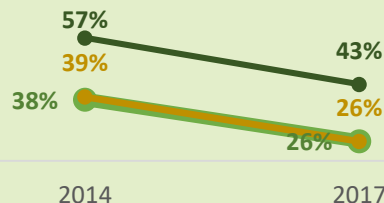
* % adult population without a financial institution account



Saving, Borrowing & Remittances



Saved any money in the past year
Borrowed any money in the past year
Sent or received domestic remittances in the past year



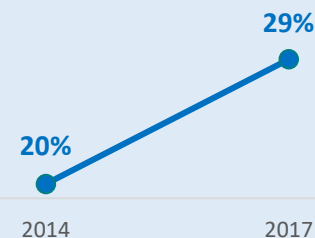
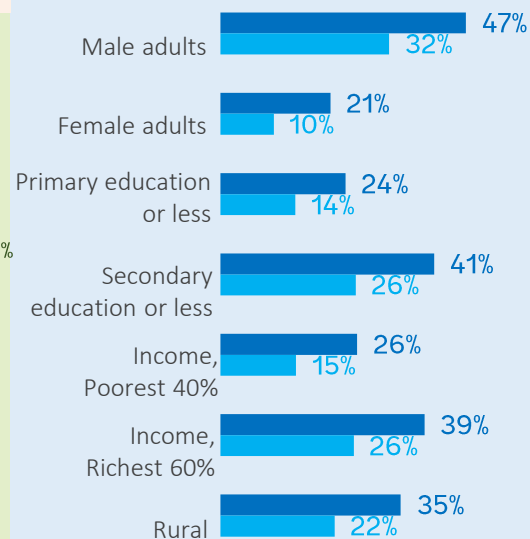
Mobile Money & Digital Payments



Has mobile money account

2%

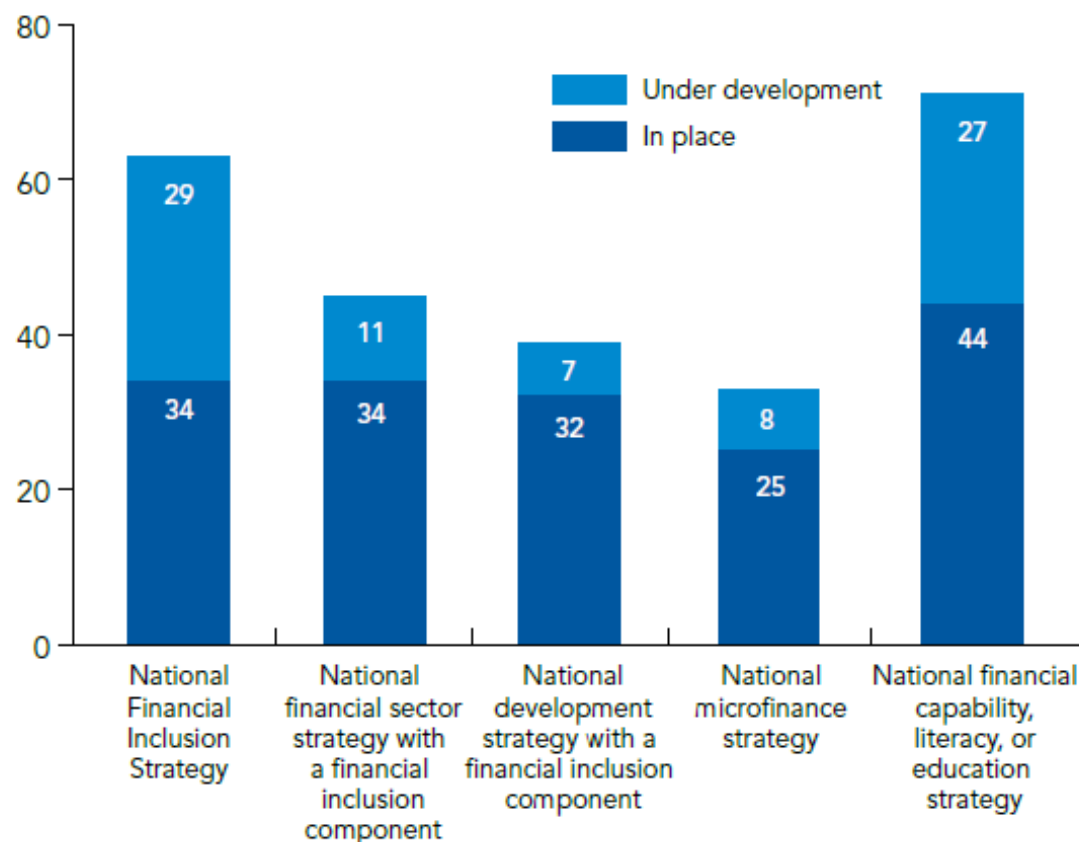
Made or received digital payment in the past year, adult population
Mobile money account, adult population



A range of approaches to promote & coordinate financial inclusion efforts, incl. Nat'l Financial Inclusion Strategies

National Strategies to Promote Financial Inclusion

of responding jurisdictions with strategy in place or under development



NFIS focus areas



Variation across jurisdiction in key NFIS elements

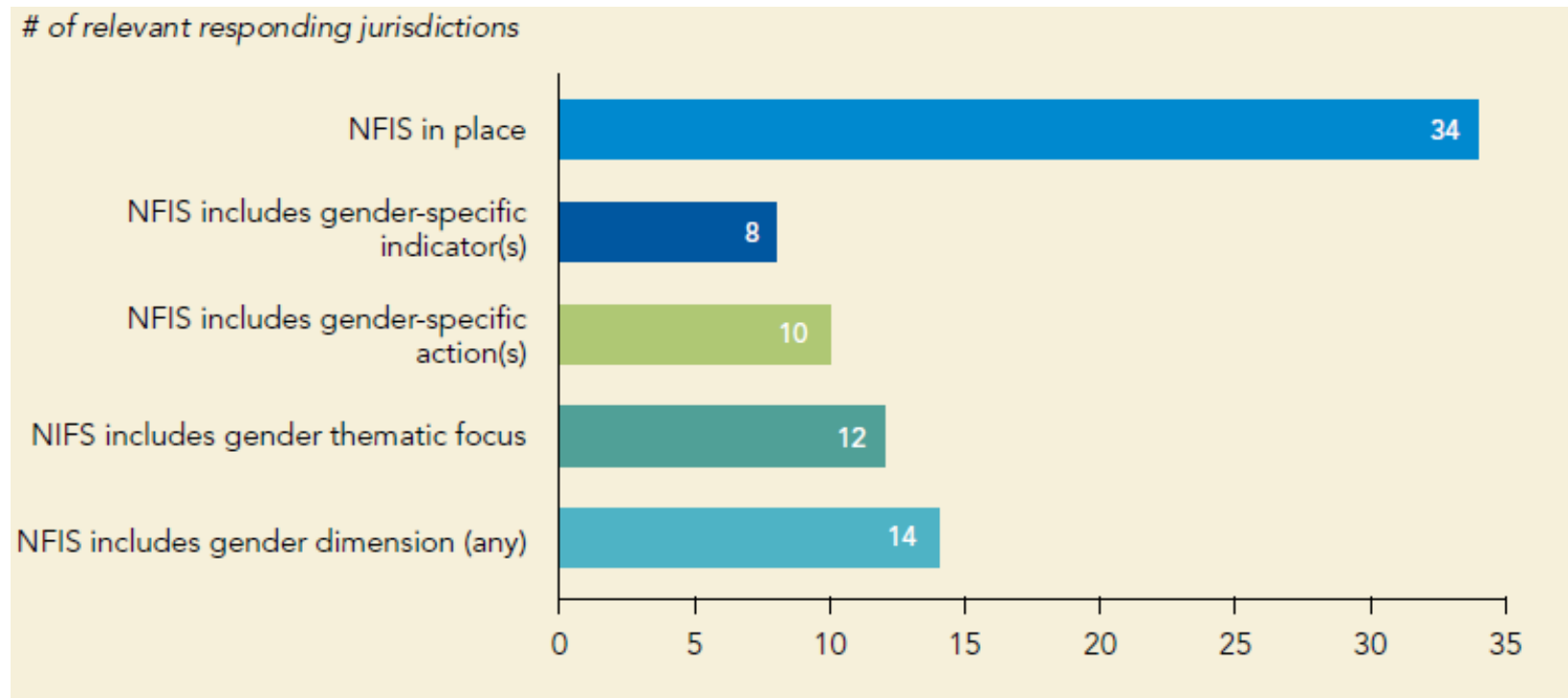
Elements of National Financial Inclusion Strategies, Overall and in Selected Jurisdictions

% of relevant responding jurisdictions

	TERM OF NFIS (YEARS)	NFIS CONTAINS SPECIFIC, NUMERIC TARGETS	LEAD ENTITY				LEVEL OF APPROVAL		
			CENTRAL BANK	OTHER FINANCIAL SECTOR REGULATORY AUTHORITY	MINISTRY OF FINANCE OR OTHER MINISTRY	MULTI-STAKEHOLDER ENTITY	BY SINGLE INSTITUTION /MULTI-STAKEHOLDER ENTITY	BY CABINET	BY PRESIDENTIAL DECREE
All	4 years (average)	71%	37%	3%	40%	20%	72%	16%	12%
Indonesia	2016–2019	Yes			✓				✓
Jamaica	2016–2020	Yes	✓					✓	
Kyrgyz Republic	2012–2017	Yes				✓	✓		
Lesotho	2017–2022	No			✓			✓	
Mexico	2016–	No				✓	✓		
Nigeria	2012–2020	Yes	✓				✓		
Pakistan	2015–2020	Yes	✓						
Thailand	2016–2021	Yes			✓			✓	
Turkey	2014–2017	No			✓				✓

Fewer than half of publicly available NFIS include explicit gender dimension

Gender in National Financial Inclusion Strategies



What is Financial Literacy?

An OECD definition:

“A **combination of financial awareness, knowledge, skills, attitude and behaviors** necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.”

Financial literacy usually represents the **level of aptitude** in understanding personal finance.

What is Financial Education?

An OECD definition:

“The process by which financial consumers/investors improve their understanding of financial products, concepts and risks 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.”

Financial Education is a tool for increasing consumer financial literacy.

What is Financial Capability?

A World Bank definition:

- Financial capability is the *internal capacity* to act in one's best financial interest, given socio-economic environmental conditions. It encompasses the *knowledge* (literacy), *attitudes*, *skills*, and *behaviors* of consumers with regard to managing their resources, and understanding, selecting, and making use of financial services that fit their needs.

Financial capability stresses the *ability of consumers to effectively use* the acquired financial literacy to make better informed decisions about financial services

Financial Innovation

Importance of Financial Literacy

Financial literacy is especially important in an environment where financial products are increasingly complex and are being delivered through new distribution channels and where there is an increasing range of new non-bank service providers. For example, we have:



New financial products

e.g. e-money, micro insurance, bank assurance, foreign exchange, retail investments in capital markets, etc.



New distribution channels

there are many new ways of delivering financial services e.g. electronically through mobile phones, smart cards and PCs and through agent networks



New service providers

e.g. telecommunications companies are providing financial services

Social and Demographic Changes/Challenges

Social Changes

From rural to urban to the erosion of family and community support that accompanies development.

Demographic Changes

For example, aging populations, which increases need for retirement savings / pensions / investment advice.

General good practices to follow

- 1 Address gap between knowing and doing, and take psychological and cultural factors into account.
- 2 Focus on mechanisms that can provide on-going support to reinforce healthy behaviors over the long-term.
- 3 Customize and incorporate behavioral insights to provide information in a way for consumers to learn, apply, and change behavior, such as social learning, teachable moments (welfare recipients, people in need of medical treatments), and interactive games (learning by doing).
- 4 Use wide range of delivery channels. Leverage technology such as smartphones to deliver programs on larger scale at lower cost.
- 5 Use metrics to measure impact of financial capability programs.

Financial Capability efforts can contain a range of institutions / stakeholders utilizing a combination of different formats and delivery channels

Institutions

- Ministry of Finance
- Central Bank
- Ministry of Education
- Industry associations
- Consumer associations, NGOs
- Private organizations
- Financial service providers



Format

- School curriculum (electives, workshops, integrated in existing classes)
- Seminars, conferences
- Online information
- Financial consultations
- Booklets, posters, brochures
- Advice
- Games and videos
- National days/weeks (for savings, etc)

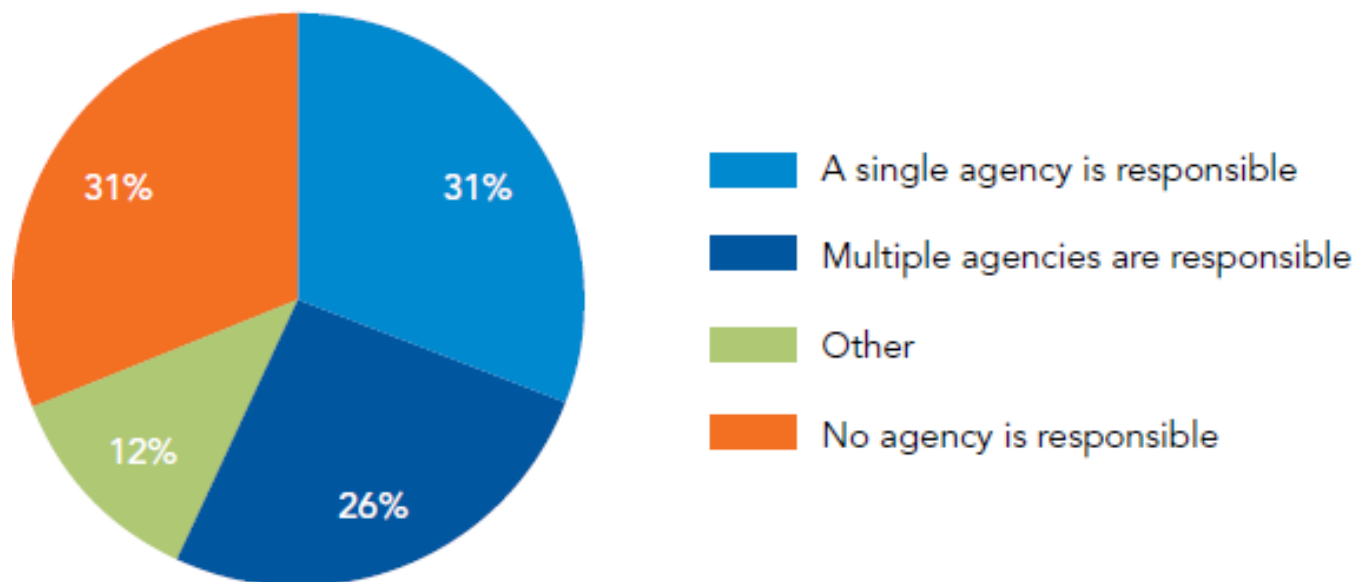


Delivery Channels

- Schools
- Training events
- Websites
- Hotlines
- TV
- Consumer advisory centers
- SMS
- Mobile platforms

Institutional Arrangements for Leading and/or Coordinating Financial Education

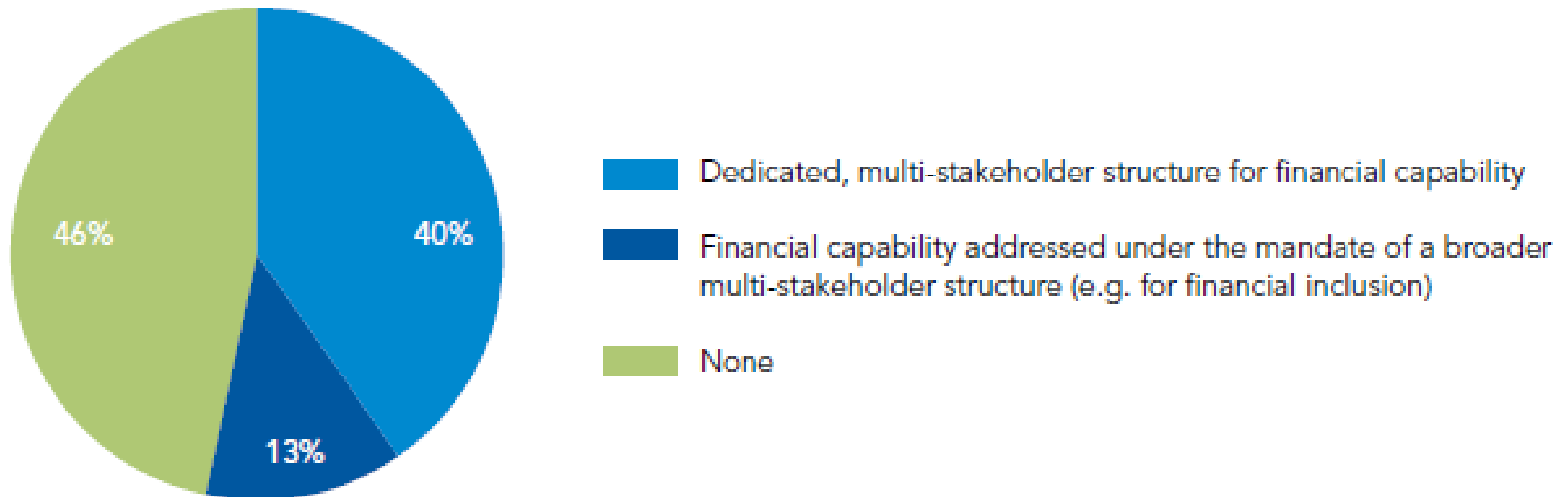
% of responding jurisdictions reporting institutional arrangement



Source: Global Financial Inclusion and Consumer Protection (FICP) Survey, World Bank, 2017.

Coordination Structure to Promote and Coordinate Financial Education

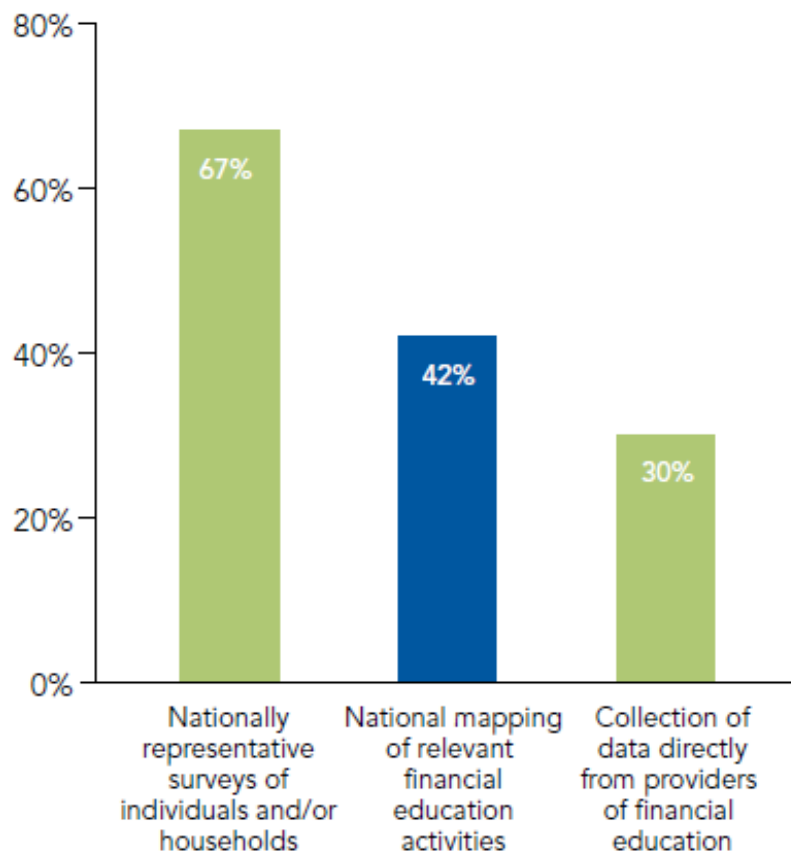
% of responding jurisdictions reporting coordination structure approach



Source: Global Financial Inclusion and Consumer Protection (FICP) Survey, World Bank, 2017.

Elements of Monitoring and Evaluation Systems for Financial Education

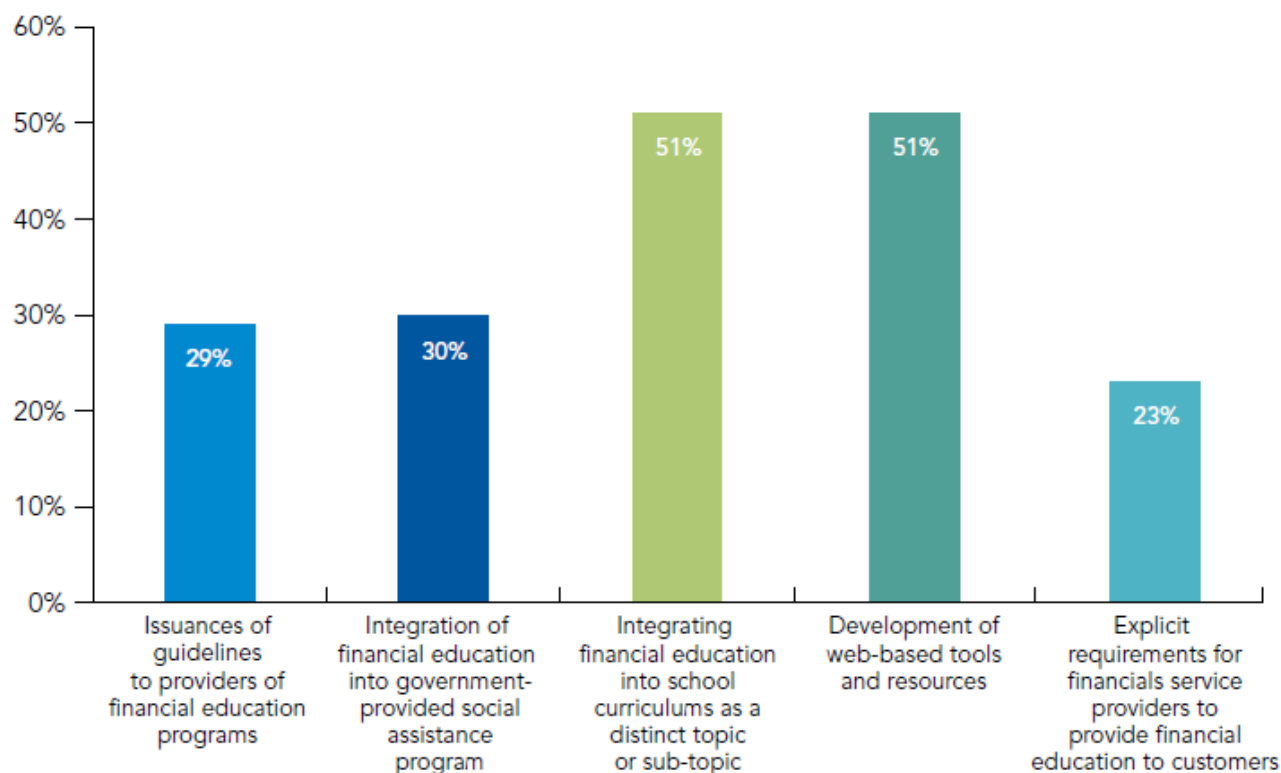
% of responding jurisdictions undertaking M&E activity



Source: Global Financial Inclusion and Consumer Protection (FICP) Survey, World Bank, 2017.

Approaches to Improve the Quality, Consistency, and Reach of Financial Education

% of responding jurisdictions reporting approach



Source: Global Financial Inclusion and Consumer Protection (FICP) Survey, World Bank, 2017.