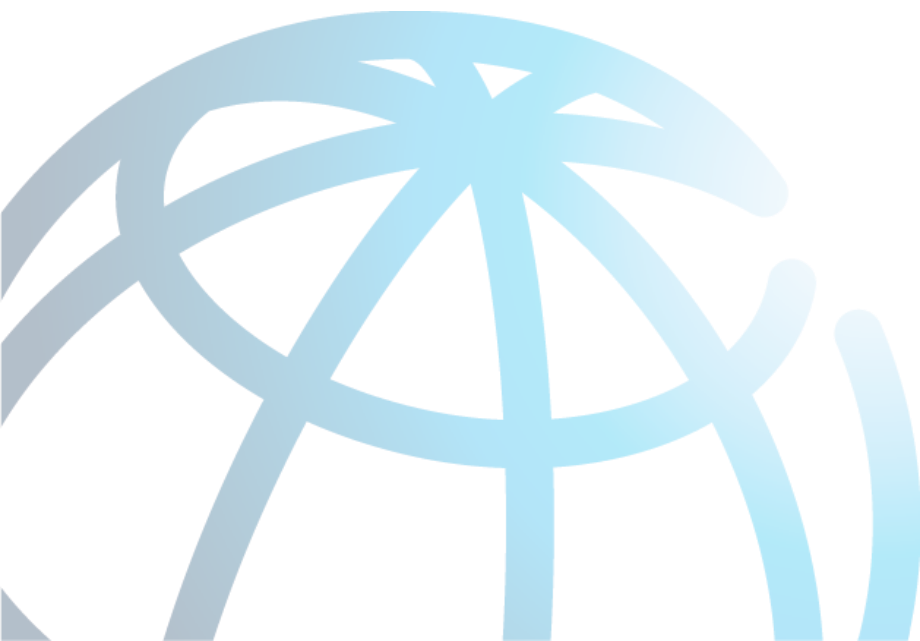




DEVELOPING & OPERATIONALIZING
NATIONAL FINANCIAL INCLUSION STRATEGIES
FOR THE DIGITAL ECONOMY

Washington DC • December 10–12, 2018

Financial Capability



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Agenda

1. Overview of Financial Capability for NFIS
2. Financial Capability: What to Consider?
3. Financial Capability for an NFIS
4. Annexes: Case Studies





1. Overview of Financial Capability for NFIS

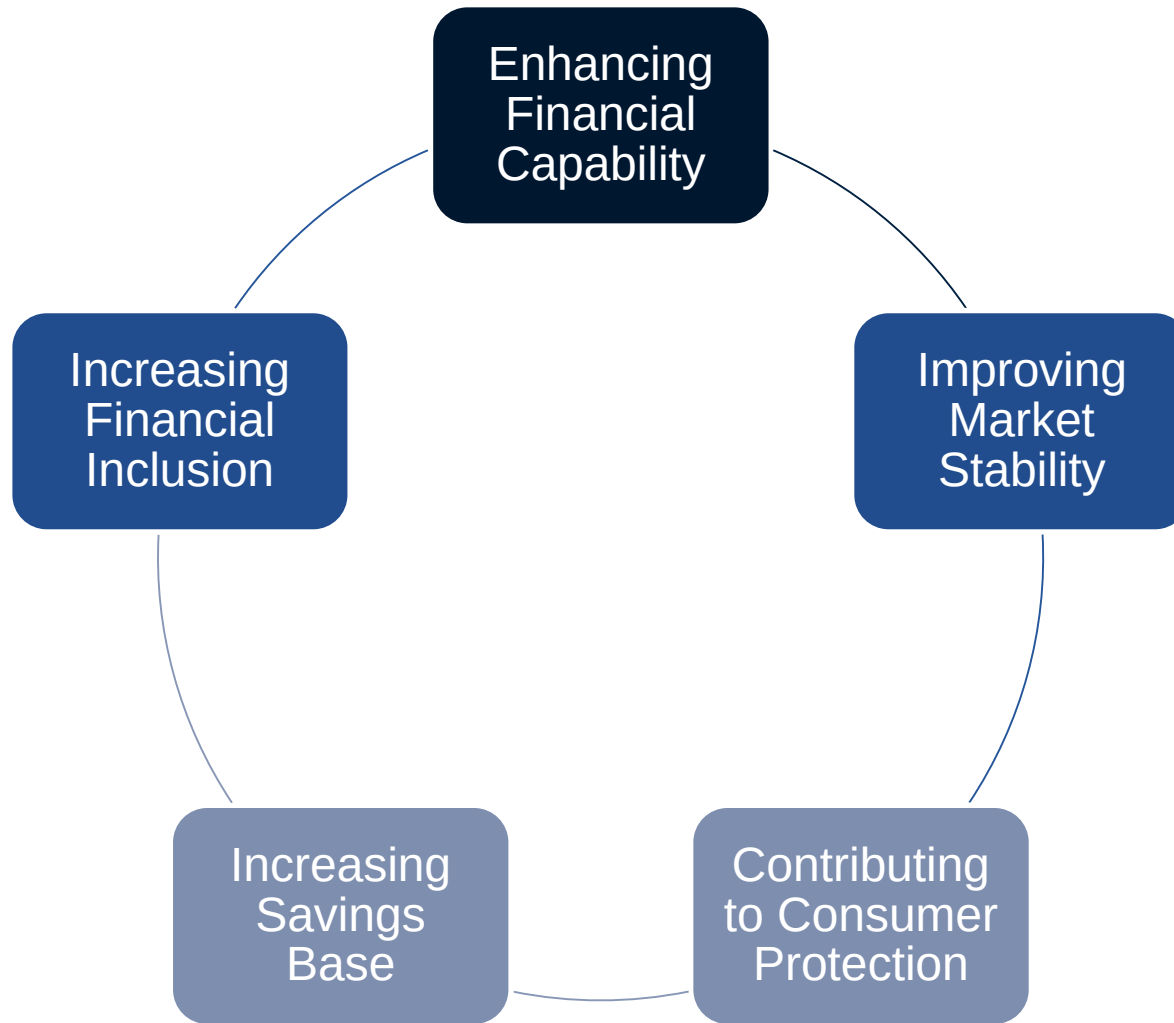
What is Financial Capability?

A World Bank definition:

- Financial capability is the **capacity** to act in one's best financial interest, given socio-economic environmental conditions.
- It encompasses the **knowledge** (literacy), **skills**, **attitudes**, and **behaviors** of consumers with regard to managing their resources, and understanding, selecting, and making use of financial services that fit their needs.
- The terms **financial literacy** and **financial capability** are often used interchangeably. The term financial literacy (also financial knowledge) is a narrower term that represents the level of aptitude in understanding personal finance, and often refers to awareness and knowledge of key financial concepts.



Importance of Financial Education



Why does financial capability matter?

- Financial literacy is especially important in an environment where financial products are increasingly being delivered through digital platforms or distribution channels, where there is an increasing range of new non-bank or FinTech related service providers.



New digital financial products

Such as e-money, mobile insurance, peer-to-peer lending, biometric authentication, big-data credit worthiness



New distribution channels

there are many new ways of delivering financial services digitally e.g. through mobile phones, agents, smart cards, online, etc.



New service providers

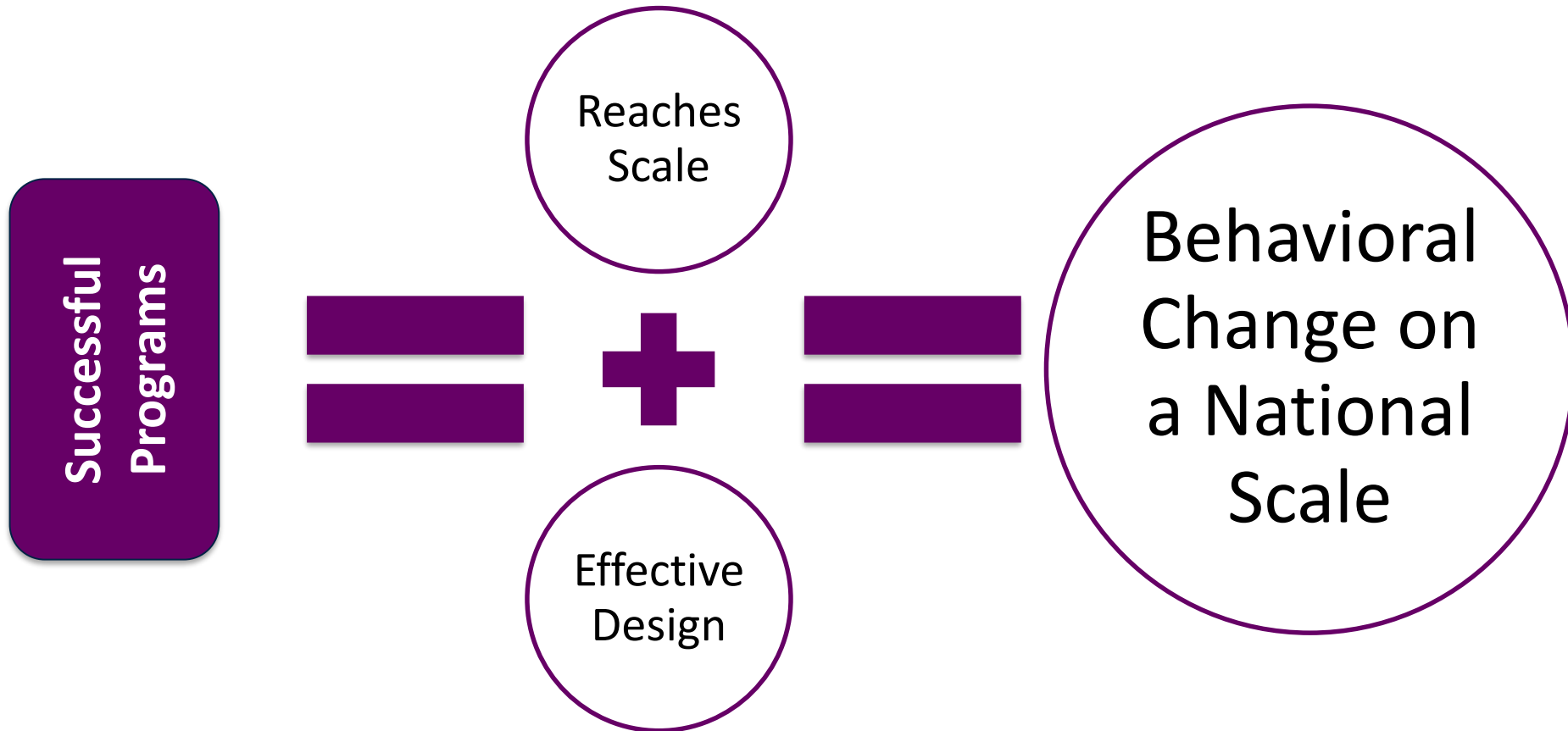
e.g. telecommunications companies and emerging FinTech companies are providing financial services



2. Financial Capability: What to Consider



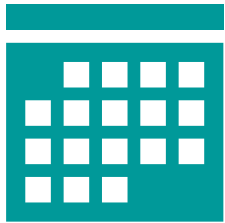
Effective Financial Education



Effective Design: Key Considerations for Program Design and Delivery

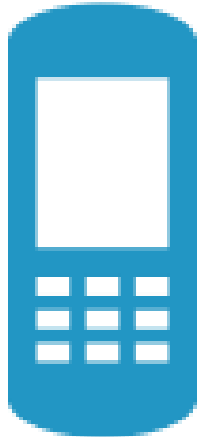


Program design



- ✓ Remains within core mandate
- ✓ Provide financial education during “teachable moments”
- ✓ Within the context of financial services *actually* available to recipients
- ✓ Cost and resource effective
- ✓ Reinforce education and key messages periodically, through the active engagement of participants over time

Effective Design: Key Considerations for Program Delivery



- ✓ Use a wide range of instruments, particularly for illiterate beneficiaries
- ✓ Build on the existing evidence base of effective programs
- ✓ Simulate and provide demonstrations of the technology or product first, particularly if using tablets, smartphones, or feature phones
- ✓ SMS messaging for core concepts or reminders to those with existing context

Financial Education Considerations with Provision of Digital Financial Services

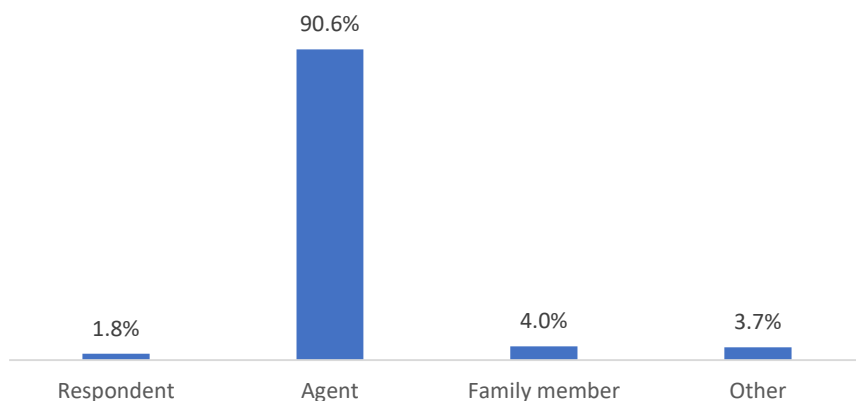
Rights & Complaints Handling

Access to E-Payments

Awareness of E-Payments

PIN Literacy

Who types in the PIN code when collecting money



- In a recent financial education assessment of digital cash transfer beneficiaries in Ethiopia (2016), 90 percent of e-payment recipients reported using the Agent to type in their PIN code when collecting money.
- Beneficiaries without appropriate financial literacy on digital aspects of finance are less protected.
- Delivering education through digital delivery channels can reach adults at scale and also re-enforce financial literacy learnings of digital aspects

Source: Responsible Financial Access, Integrating Financial Education into the Ethiopian PSNP (2017)

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What Works in Financial Education

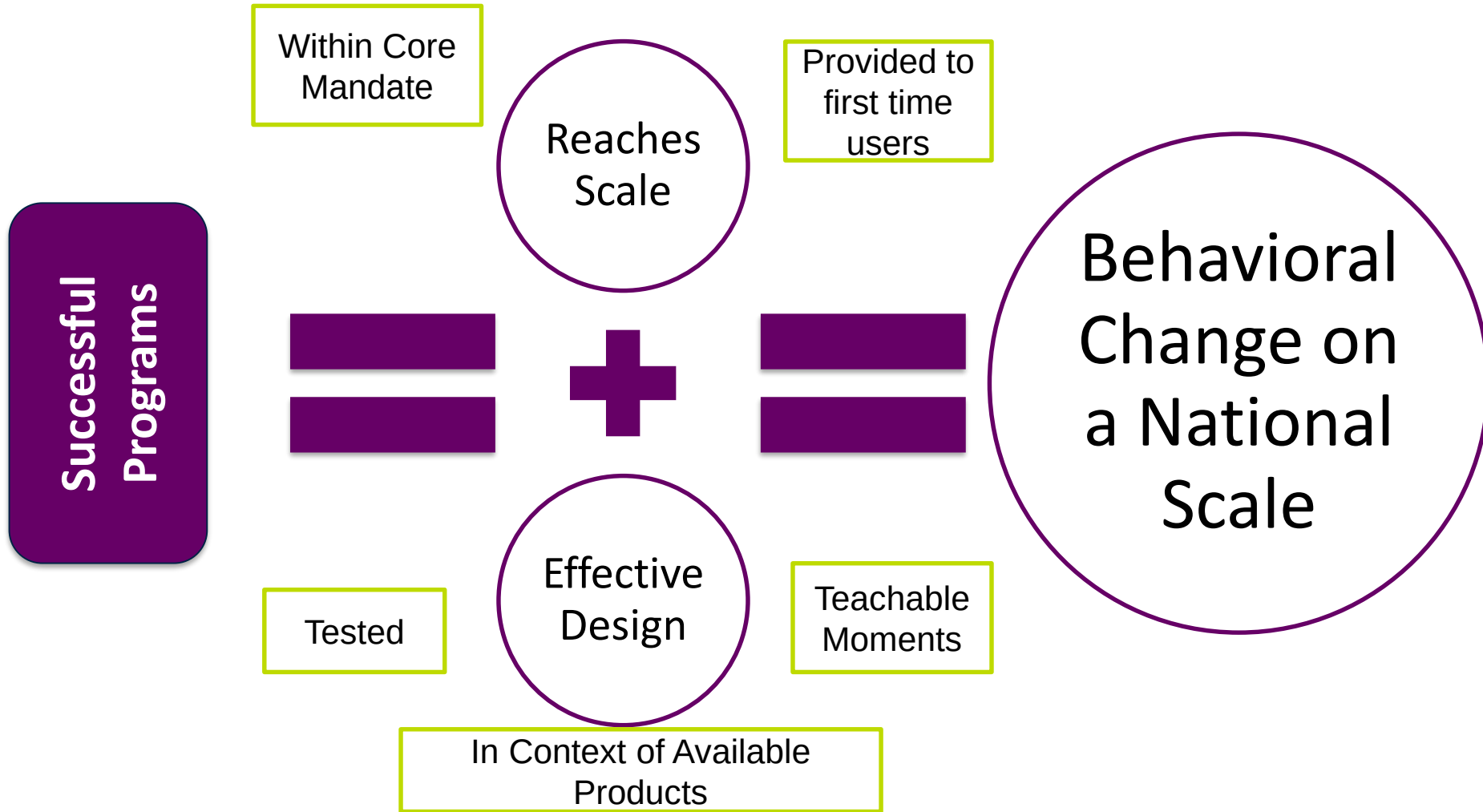
COUNTRY	FOCUS	TARGET GROUP(S)	TYPE	IMPACT
Australia and New Zealand	Remittances, credit, financial product selection	Migrant workers	Seminar	Mixed results
Brazil	Budgeting, savings, general financial management	High school students	Classroom training	Yes
India	Budgeting, savings, financial management	Low-income households	Seminar	Mixed results
India and Kenya	Long-term planning, weather insurance	Rural small-scale farmers	Comic books	Mixed results
Kenya	Financial management, savings	School children	Classroom training, Comic books, Radio shows	No
Mexico	Savings, retirement, use of credit	Credit card customers	Seminar	Mixed results
Nigeria	Savings, use of banking services	Existing and new bank users	Marketing campaign	Mixed results
Nigeria	Savings, credit	Low-income households, Small business owners	Movie	Mixed results
South Africa	Savings, remittances, budgeting, choice	Members of burial societies, Women's groups	Seminar	Yes
South Africa	Debt management	Low-income households	Soap Opera	Yes
Uganda	General financial education	Low-income households	Seminars	Mixed results
India	Financial Lessons through IVR and SMS	Microentrepreneurs with loan	IVR Lessons / Texts	No



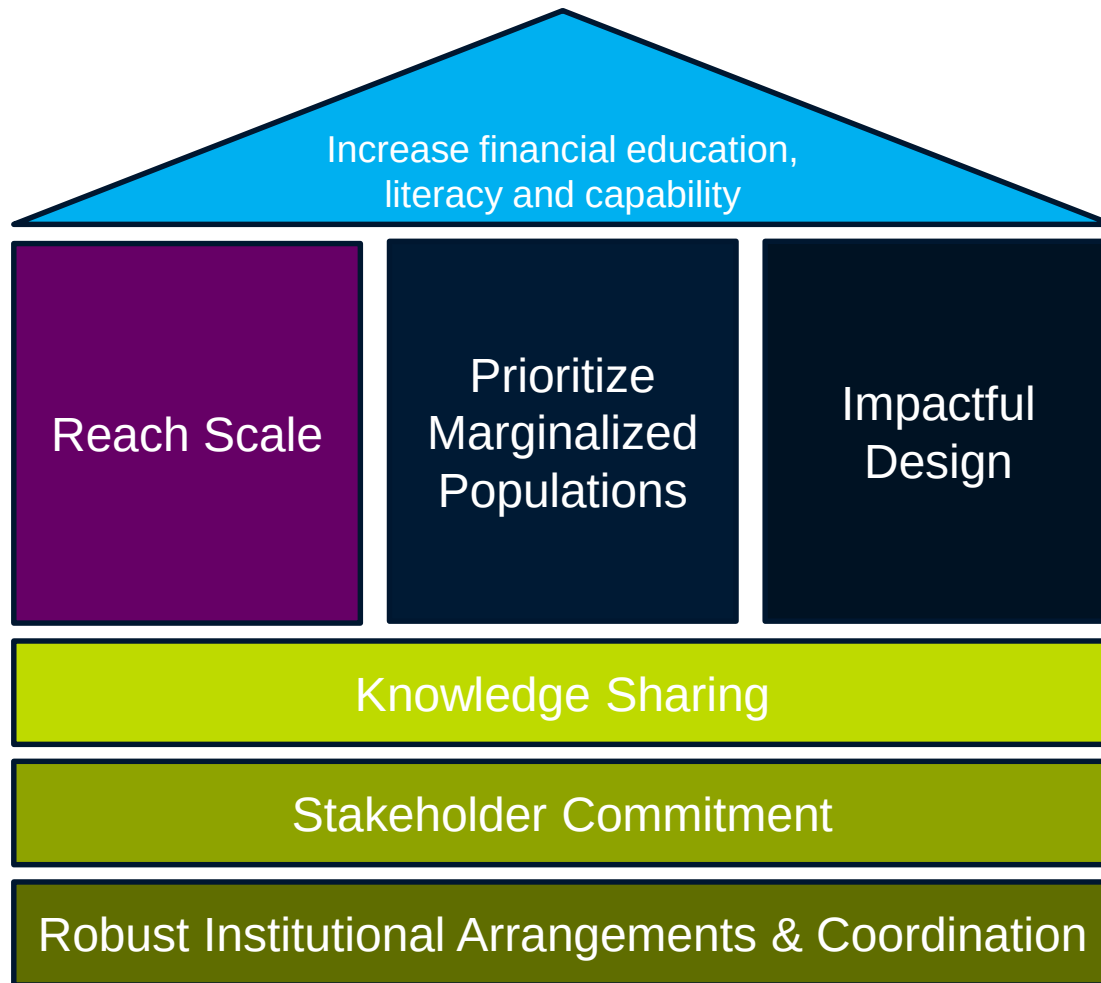
3. Financial Capability for an NFIS



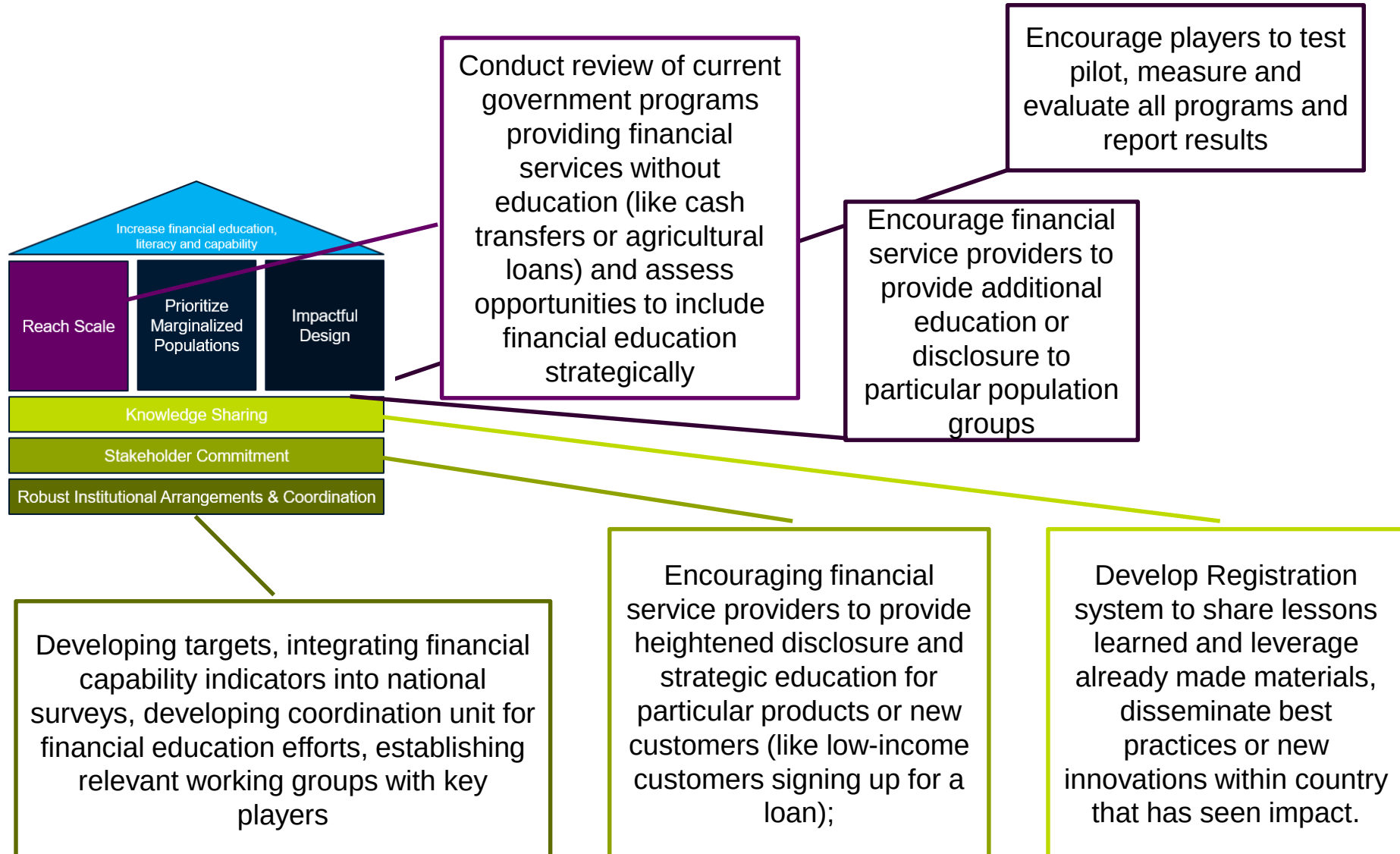
NFIS Actions for Financial Education: Key considerations



Example Actions for NFIS



Illustrative Example of NFIS Actions





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Thank you!

Questions?





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4. Annex – Case Studies



Mistakes to Avoid

Using a single delivery mechanism as opposed to employing a range of channels.

Making assumptions on the numeracy and literacy levels of beneficiaries, including conceptual assumptions on understanding of money or savings.

Rushing to integrate various delivery channels without assessing the levels of accessibility and feasibility of each channel.

Using lecture based curricula which can become boring or unengaging without opportunities for fun, entertaining activities or practice with practical applications (“learning-by-doing”).

Delivering lessons during times that do not leverage relevant, teachable moments or relate to applicable experiences for the beneficiary.

Including messages which market initiatives for particular financial products, services or providers.

Building one-time lessons or programs, without repeating and reinforcing messages throughout the cash transfer program.

Reinventing the wheel and dismissing lessons learned from successful financial education programs already undertaken in the country.



Effective Design: Considerations for Gender



Gender

- Trainers should always work to encourage equal participation in sessions that involve both male and female beneficiaries
- Programs should dedicate resources to hire female trainers
- Including training options for women to receive education and training in female-only, gender disaggregated environments
- Including house visits as training options for women
- Working with women to identify optimum timings for trainings
- Avoiding reference to gendered behaviors in content and trainings

Mobile Innovations and Platforms

Example: JUNTOS uses SMS messaging for reminders and conversations to build trust and capability for customers

Juntos partnered with Tigo Pesa (Tanzania) to provide two way SMS messaging to help customers increase their trust levels and understand payment products

Juntos used behavioral research to identify Tanzanian customers habits, goals, and financial needs.

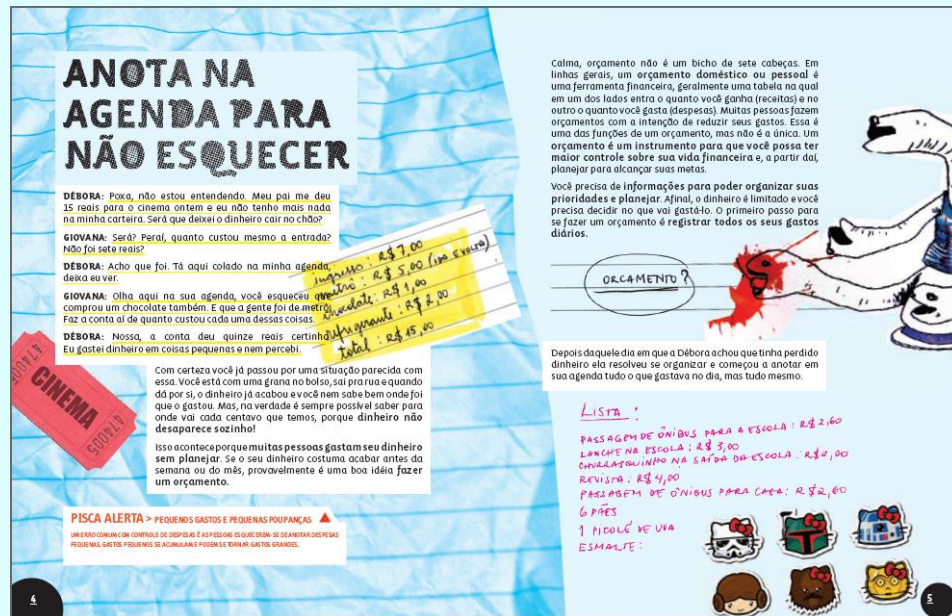
Customized SMS conversations with unique messaging designs and scripts to familiarize customers with the product and channels and provide message reminders with capability insights.

Note: SMS and mobile nudges or reminders positively impact savings and capability

Lessons Learned from Selected Financial Capability Programs - Brazil

- Large-scale financial education program for 26,000 secondary school students in 900 schools, focusing on broad range of themes including saving, budgeting, and general financial management

Book 1: Short-term situations related to the student's family, everyday social life, and personal property (e.g. keeping track of expenses)



Lessons Learned from Selected Financial Capability Programs - Brazil

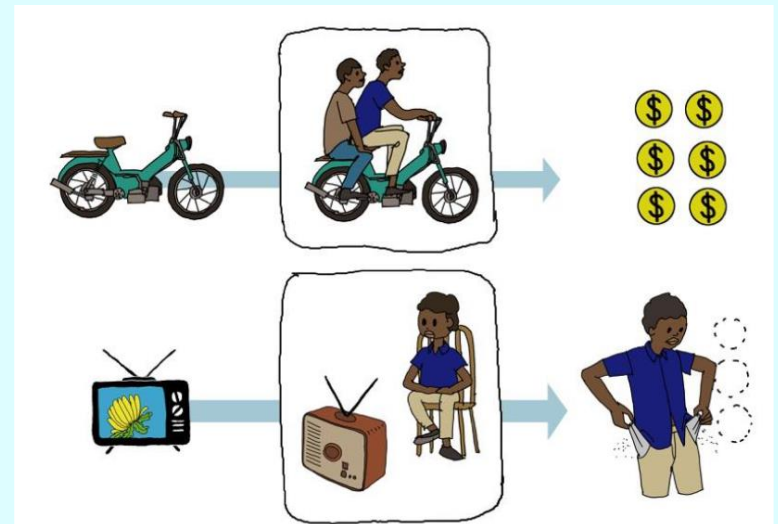
- Training workshops supplemented by virtual training
- Teacher guidebook and all materials designed by experts and rigorously tested
- Findings:
 - » Significant increase in students' financial capability scores and savings
 - » Intentions to save and financial autonomy improved significantly
 - » “Trickle-up impacts” for parents
- Teachers' training and involvement a key factor

Lessons Learned from Selected Financial Capability Programs – Ebola Crisis Countries

- Financial education modules developed for recipients of social protection programs



  	  	  	  
JANUARY	FEBRUARY	MAR CH	APRIL
  	  	  	  
MAY	JUNE	JULY	AUGUST
  	   	   	   
SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER



Advice 1: Put small amounts aside each month from earned income

Lessons Learned from Selected Financial Capability Programs – Ebola Crisis Countries

- Aimed to enhance beneficiaries' response skills to income shocks, management of household finances, effective use of transfers to meet day-to-day needs, investment in development of their families
- Program essentially relied on oral content supported by audio and visual materials
- Findings:
 - » Financial capability programs can be produced using little, if any, reading material
 - » Continuous series of sketches of day-to-day life stories can cover various financial capability topics

Leveraging Social / Informal Connections

- Using informal or social groups (like clubs or associations) as touch points to provide trainings and trainers.

Example: HERFinance leverages the workplace and trains women in a supply chain (like factory workers) to pass along financial information to peers through tailored workplace-based financial education sessions.



Source:
<https://herproject.org/herfinance>

Mass Media / Entertainment

Example: Makutano Junction (Kenya) and Scandal (South Africa) embed financial capability concepts and themes into the popular soap operas.



The benefits of opening a bank account (Makutano Junction, Kenya
Women Finance Trust DTM)



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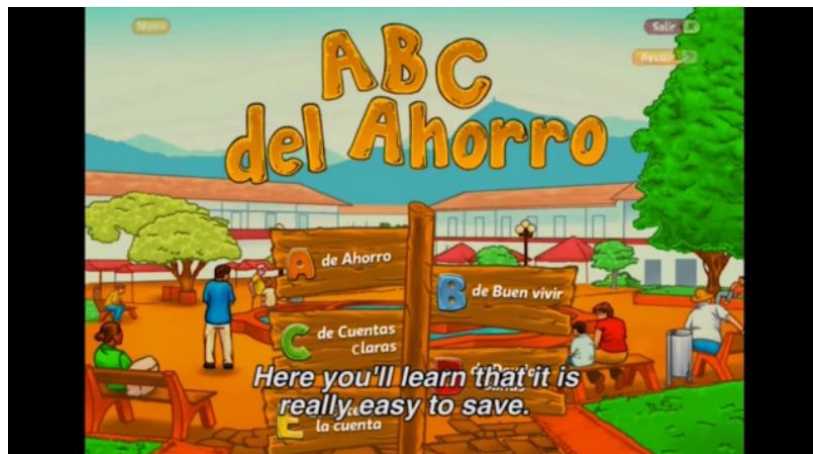
195 views

- Other common examples include:
 - Catchy commercials or jingles
 - Comics or books with financial capability concepts

Social Service & Tablet Delivery Platforms

Example 1: *LISTA Colombia* designed self-paced financial capability modules that are delivered to conditional cash transfer (CCT) recipient villages through tablets.

- A community organizer provides and rotates the tablets between households, where CCT recipients go through the courses at their own pace in order to improve their financial capability levels and learn to access their CCTs.
- These trainings are delivered through a platform developed by Fundacion Capital on a tablet loaded with financial education modules and games.
- Specific feature: ATM Simulator, developed to reduce fear of ATMs



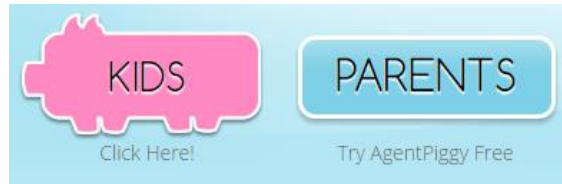
Example 2: *BANSEFI Mexico* provides face to face financial capability training before providing cash transfers to recipients, via traditional means until recently; and has started working with Fundacion Capital.

Face to Face Counseling & Agent Networks

- **Face to face counseling** can include traditional financial literacy activities like classroom based training for adults, however success is varied
- Recently, some providers like IFMR's KGFS model in India **leverage their agent networks** to provide financial capability training (provided by the agent) in addition to their offerings of products and services.
 - The business case can be made as agents can then recommend different products and services tailored to the needs of the client.
- Face to Face Counseling can also be embedded during “**teachable moments**” by financial providers prior to service delivery (ie mandatory financial counseling and budgeting prior to receiving a loan)

Online / Internet Based

Example: AgentPiggy – Financial Education for Parents and Kids



Online Platform and Application

- Parents and children log-ins
- Goal to help parents teach financial capability skills to children

Virtual Online Bank Account

- Virtual money itemized by completion of chores or homework, etc.
- Virtual money can be spent on games or activities in virtual marketplace

Savings, Interest, Credit

- Parents can set up virtual savings accounts, interest rates or other services to teach kids how these services work

Note: Using games or other interactive tools to make financial capability fun and engaging helps retain information and concepts learned

Online / Internet Based

Example: Mexico's Consumer Protection Agency CONDUSEF developed a government-led financial literacy and transparency website (and magazine) to promote financial capability

- CONDUSEF's website offers a variety of tools and delivers financial education through a series of online games, courses, tutorials, videos, stories, calculators etc. All are tailored for different populations or age groups.



Identifying and Engaging NFIS Stakeholders: Poll

Go to **www.menti.com** and use the code **24 89 61**

What type of institutions should be involved in the NFIS development process? Mark all that apply

- Only the leading institution
- A select few public sector institutions
- Public and private sector institutions related to the financial sector
- A range of both public and private sector institutions (including beyond the financial sector)

