Promoting Social Cohesion and Economic Development Through Financial Inclusion/ Financial Literacy

The Financial Literacy Group®

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Financial Inclusion Symposium

Kingston, Jamaica - August 29, 2013

What We'll Cover

- ❑ 1. **What are Financial Inclusion & Financial Literacy?**
- ❑ 2. What are the benefits?
- ❑ 3. Trends, Truths, & Tips for Program Developers
- ❑ 4. The Big Picture
- ❑ 5. Why this Matters

Financial Inclusion

United Nations goals for financial inclusion:

- access at a reasonable cost for all households to a full range of financial services, including savings or deposit services, payment and transfer services, credit and insurance;
- sound and safe institutions governed by clear regulation and industry performance standards;
- financial and institutional sustainability, to ensure continuity and certainty of investment; and
- competition to ensure choice and affordability for clients

Financial Literacy

OECD Definition

"Knowledge and understanding of financial concepts, and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life."

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Social Cohesion

- **Asset Effect**: Inspires a longer term orientation[1]
- **Social Mobility**: Attendance at college/university
- **Stable Households/Communities**: Stronger marriages, more homeownership and less neighborhood turnover
- **Poverty Alleviation**: Helps build assets and opportunity

Economic Development

- **Entrepreneurship:** Access to financial institutions and knowledge helps small businesses to launch and grow
- **Greater Citizen Self-Sufficiency:** Lighter burden on government anti-poverty programs
- **Capital Formation:** Increased saving and investing builds funding pools and a healthy banking sector to support responsible lending to businesses and consumers

Economic Stability

- **Consumer Confidence:** Deposit insurance and a strong regulatory regime increases financial system resilience
- **Enhanced Consumer Protection:** Knowledgeable consumers are less likely to become victims of fraud or predatory lending
- **Reduced Longevity Risk:** Citizens that know how to save for their retirement years are less likely to outlive their savings, putting less pressure on public pensions
- **Lessen Impact of Cyclical Economic Fluctuations:** Consumers better understand and prepare for the effects of recessions and inflation

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Trends in Financial Literacy

Trend #1: Behavioral Economics

- Social, cognitive and emotional factors influence financial decisions[2,3]
- Findings can be applied in:
  - Designing programs[4]
  - Offering defaults
  - Drafting regulations

Trend #2: ***Edu*tainment**

- Video Games
- Money-themed television programs
- Contests
- Specialized lotteries

Trend #3: Robust Program Evaluation & Research

- Some is better than none
  - Utilization Model
  - Pre vs. Post
- Behavior change is gold standard
- Control groups are key
- Using failures to achieve successes

Trend #4: Workplace Financial Education

- Underutilized venue
- One of the best ways to reach adults
- Beneficial to employer as well as employees

Truths in Financial Literacy

Truth #1: Trust is Key

- Teach fact, not fear
- Goal is a skeptical, not cynical consumer

Truth #2: Lessons Should be Rooted in Concepts

- Concepts first
- Follow with vocabulary and numeric lessons
- Financial concepts are universal and timeless

Truth #3: Programs must be Experienced

- You'll learn a great deal by leaving the office and observing your program in action
- Never trust a gardener or a mechanic with clean hands

Tips in Financial Literacy

Tip #1: Think Strategically

- Brainstorm, but then focus
- Develop a plan, incorporate metrics/ opportunities to adapt
- Avoid "*Why don't we…*" campaigns
- More ideas doesn't necessarily mean more success
- Managing is choosing

Tip #2: *Deploy* Technology Don't Just *Use* It

- No attendance prizes in cyberspace, the Blogosphere, the Twitterverse, or on YouTube
- Be purposeful or be gone
- & keeping up with other organizations is not a "purpose"
- Youth ≠ Web 2.0 Expert

Tip #3: Brand Selectively

- Set pride aside
- Frequently your message should be your purpose, not your name
- If I don't know my problem, I can't recognize your solution

Tip #4: Presume Audience Indifference

- Find them where (& when) they are
- Realize your competition
- Shake your bias, and envision your own irrelevance
- Prove 2+2=4
- Plan your program's funeral to avoid its death

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The Big Picture: Who is in it??

- Policy Makers / Regulators
- Researchers
- NGOs / Civil Society
- Financial Literacy Practitioners
- Schools / Teachers
- Financial Services Firms
- Parents / Students
- ***YOU!***

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Citations

[1]Gautam Yadama and Michael Sherraden, "Effects of Assets on Attitudes and Behaviors: Advance Test of a Social Policy Proposal," *Social Work Research* 20 (1996): 3-11.

[2]Read D, van Leeuwen B. Predicting Hunger: The Effects of Appetite and Delay on Choice. Organ Behav Hum Decis Process. 1998 Nov;76(2):189-205. PubMed PMID: 9831521.

[3]Akerlof, George A., Procrastination and Obedience. The American Economic Review, Volume 81, Issue 2, Papers and Proceedings of the Hundred and Third Annual Meeting of the American Economic Association (May, 1991), 1-19.

[4]O'Donoghue, Ted, Rabin Mathew, Incentives for Procrastinators, The Quarterly Journal of Economics, Vol. 114, No. 3. (Aug., 1999), pp. 769-816.

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