



# OVERVIEW OF INTERNATIONAL GOOD PRACTICES AND EFFECTIVE APPROACHES TO FINANCIAL EDUCATION

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# OUTLINE

1

- **Global context and recognition :**  
Importance of financial literacy as a life skill

2

- **Designing an enabling framework :**  
National strategies for financial education

3

- **Identifying barriers and effective approaches**  
to financial education

4

- **Moving forward : Conclusion and work ahead**



# 1. THE NEED FOR FINANCIAL EDUCATION

A COMPLEMENT TO  
FINANCIAL INCLUSION AND  
CONSUMER PROTECTION



# 1. Empowering financial consumers : A **necessity** in an evolving societal & financial context

A riskier, more inclusive, complex and innovative financial landscape

Limits of financial consumer protection and regulation alone

Low level of financial literacy in all countries

Negative spill over effects for all involved !

*Financial and  
social exclusion*

*Asymmetry of  
information  
and power*

*Lack of trust,  
fraud & misselling*

*Costs for all  
stakeholders*



# Financial consumer empowerment trilogy : **Global recognition**

**OECD/INFE(2012)**

**High-Level Principles on  
National Strategies for  
Financial Education**

**Financial  
Education**

**G20 (2011) High-Level  
Principles on Financial  
Consumer Protection  
developed by the OECD**

**Financial  
Inclusion**

**Financial  
Consumer  
Protection**

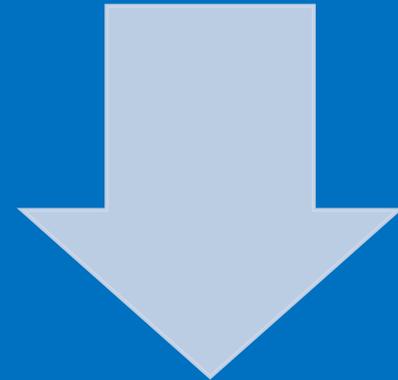
**G20 (2010) Principles  
for Innovative  
Financial Inclusion**



## Financial Education (FE) : A capacity building process

*“by which financial consumers/investors improve their **understanding** of financial 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**”.*

**OECD 2005  
definition**



**Outcome:**  
**improved financial literacy  
& well-being**



## 2. DESIGNING AN ENABLING FRAMEWORK FOR EFFECTIVE FINANCIAL EDUCATION

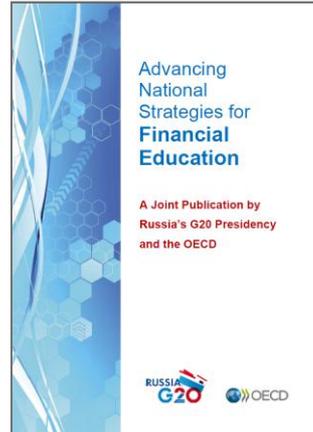
### NATIONAL STRATEGIES FOR FINANCIAL EDUCATION

*THE OECD/INFE PRINCIPLES*

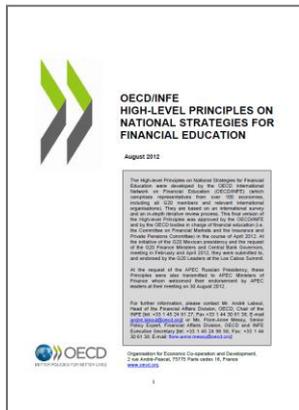


# National Strategies for Financial Education : OECD/INFE tools and process

**2012**  
the Principles  
were endorsed by  
G20 Leaders and supported  
by APEC Ministers of Finance



**2015**  
A policy handbook  
to implement National  
Strategies will be delivered to  
G20



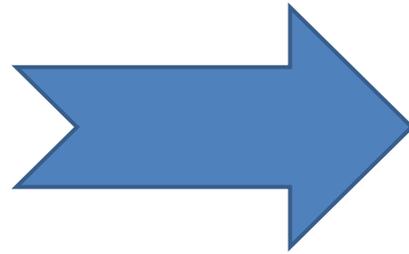
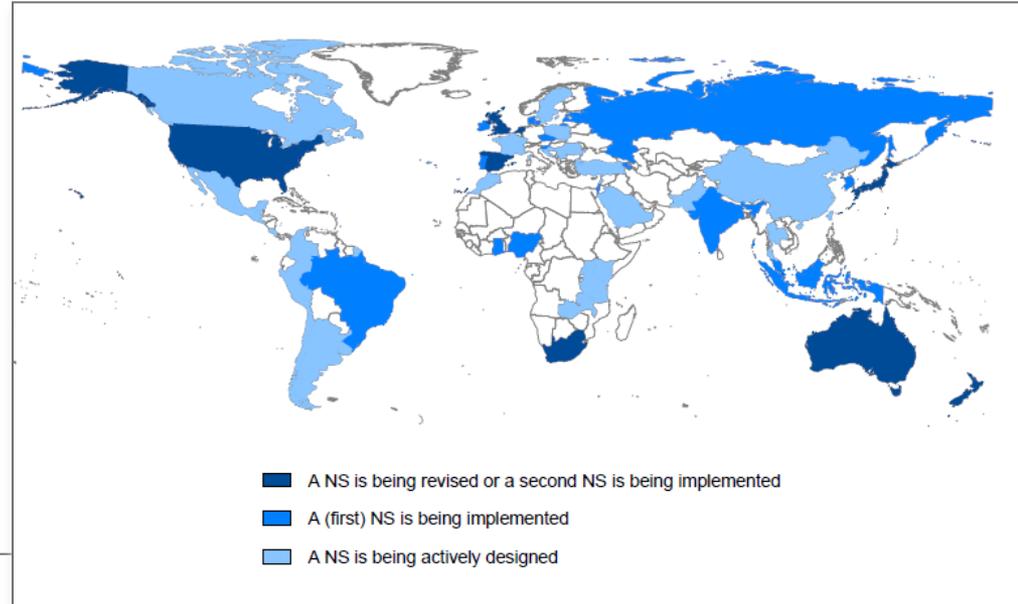
**2013**  
a publication on  
**National Strategies**  
in G20 economies  
was welcomed  
by G20 Leaders



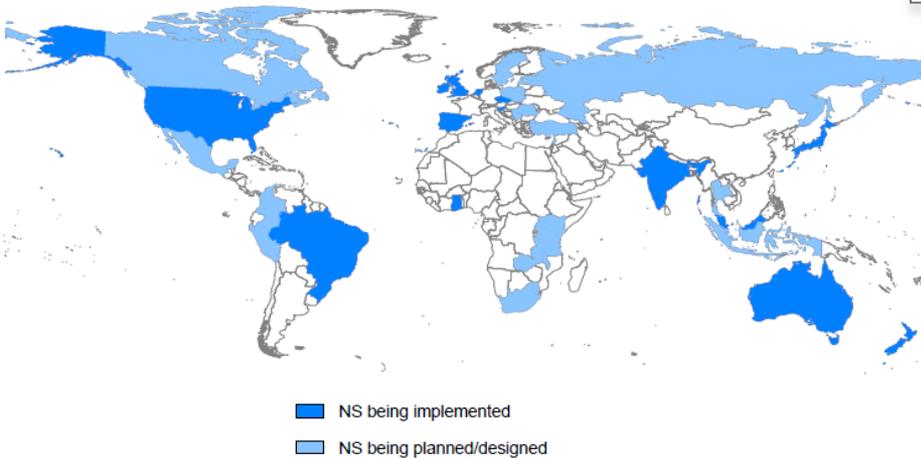


The development of national strategies has been particularly steady in recent years (Source OECD, 2012, 2014)

## Status of national strategies in 2014



## Status of national strategies in 2012





# Selected findings of OECD/INFE survey :

## NS status

More than 50 countries have launched a NS process

- A few G20 examples :
  - A NS is being revised or a second is in place:  
Australia, Japan, South Africa, UK and US
  - A first NS is being implemented : Brazil, India, Indonesia, Korea, Russia, Turkey
  - A NS is being actively designed : Canada, Chile, France, Mexico, Saudi Arabia

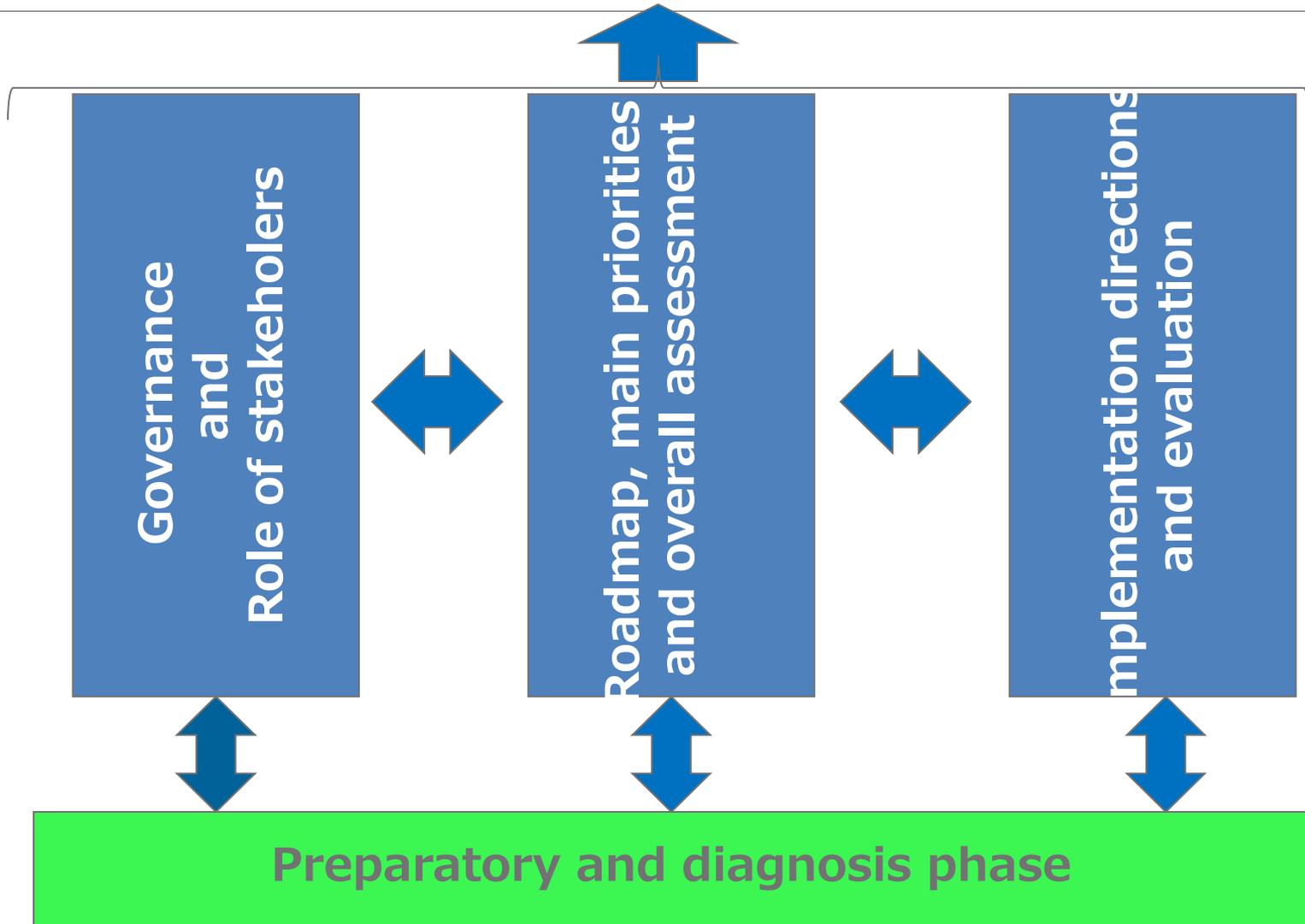
Often integrated in a wider approach for financially empowered individuals

- Consumer protection measures/approaches
- Financial inclusion



# National Strategy for Financial Education

## The Framework





# 3. IDENTIFYING BARRIERS AND EFFECTIVE APPROACHES

Sources :

- 8 OECD and OECD/INFE POLICY INSTRUMENTS
- OECD/INFE SURVEYS, PISA RESULTS, IMPACT EVALUATION
- OECD/INFE REGIONAL REPORTS ON FINANCIAL EDUCATION (in AFRICA, ASIA, LATIN AMERICA, EUROPE)
- OECD WORKING PAPER (FORTHCOMING) : RESEARCH AND LITERATURE ON FINANCIAL EDUCATION FOR LONG-TERM SAVINGS
- OECD GUIDELINES ON PRIVATE AND NON-FOR-PROFIT STAKEHOLDERS IN FINANCIAL EDUCATION



## What evidence say:

# Low and uneven level of financial literacy

(OECD/INFE 2012 survey, OECD PISA, 2014)

### Low knowledge of key financial concepts and overconfidence

Limited understanding of :

- the concept of compound interest
- Importance of risk diversification

**Consumers overestimate their knowledge :**  
75% of US citizens have positive perceptions of their own financial knowledge, only 14% are able to answer all 5 simple financial literacy quiz questions correctly.

### Difficulty in several areas of financial behaviours

Use of formal services

Planning ahead for unexpected life events as well as important one such as retirement

Responsible use of credit

### Groups at risks and in need

young

elderly population

women

low income

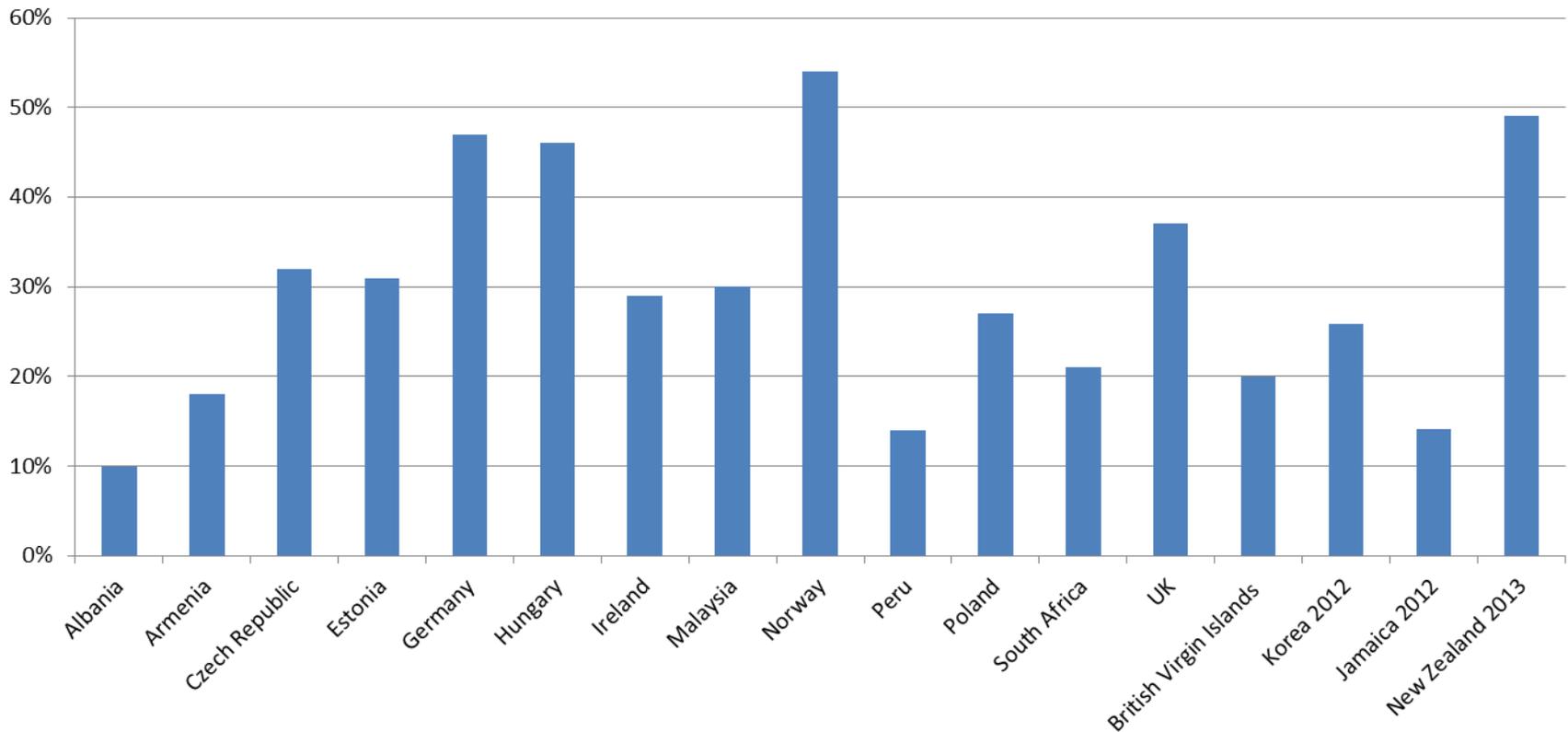
Migrants

MSME



# Selected international evidence : Low level of adult's financial knowledge

Correct on two basic questions about interest  
(simple and compound interest)

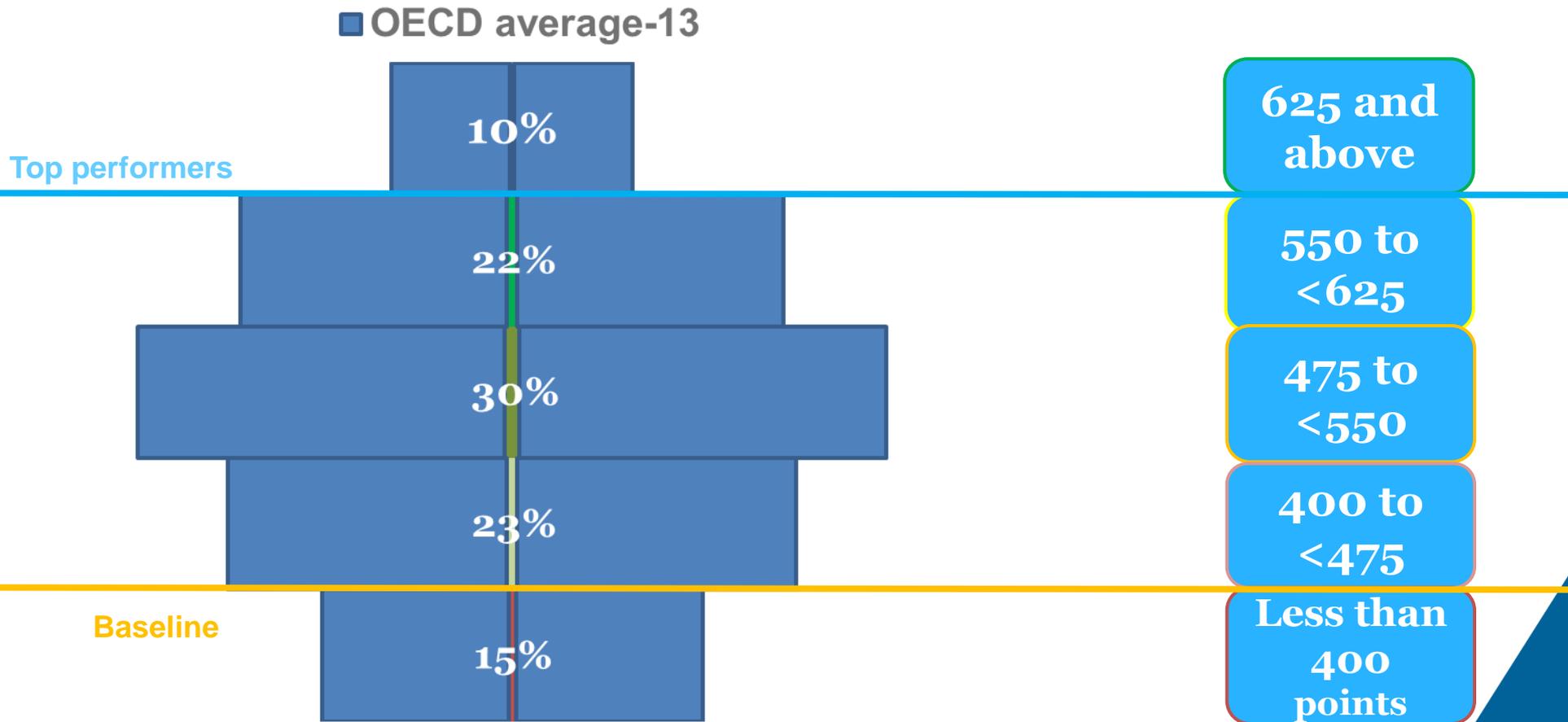


Source : OECD, 2012, 2013



# PISA financial literacy -performance levels (OECD, 2014)

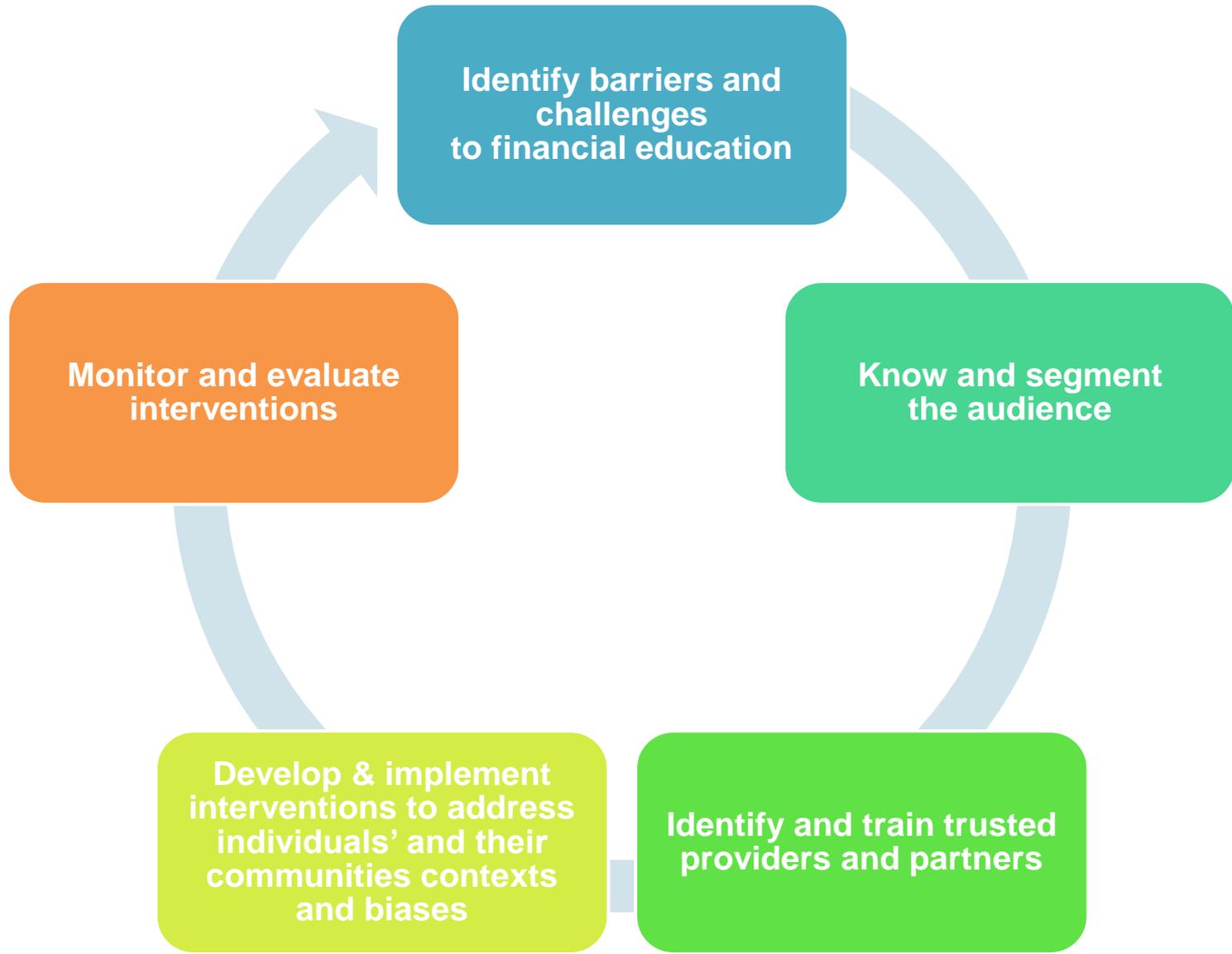
## Significant gaps in financial literacy among 15-year-old students





## 4. Effective Approaches to Financial Education

### A building-up cycle





## 4. Effective Approaches to Financial Education : **Identify and take account of FE challenges**

Low and uneven individuals' financial literacy but overconfidence

+ Financial issues are viewed as **uninteresting, boring and complex** (especially from those who most need education)

**Changing (adults') behaviors** can be daunting :

Long-term and complex process which involves individuals' biases and their overall context

The effect (if any) does not always last

While results may be needed/expected in the short-term

Resources are often limited

Expertise and evidence may also be missing or weak



## 4. Effective Approaches to Financial Education

**Know the audience :one size does not fit all!**

**Multisource of information and ongoing communication for all and early**

**Traditional tools** : written material (cheap but mostly useful in combination with other tools); training (more expensive and need to be interactive to be effective)

**Internet/digital tools** : for youth and already educated

**Counselling and face-to-face** : for groups in difficulty and elderly (but costly)

**Social media** may be harnessed to outreach particular groups and raise awareness

**Gamification** to nurture habits and experience

**Visualization and story telling** (especially for less educated groups)

**Edutainment** to raise awareness and reach out difficult groups



## 4. Effective Approaches to Financial Education

### Identify and train trusted providers and partners

Reliance on trusted and well trained partners is important

#### Why ?

- Organisations and governments do not have the resources to efficiently outreach all the population
- Some NGOs and networks have particular expertise and know-how to outreach particular groups
- **Some segments of the population like to receive education from people they know and trust**

#### But necessity to :

- Identify adequate and trusted stakeholders
- Choose qualified staff
- Provide on going and appropriate training as well as incentives
- Monitor the process to ensure quality delivery



## 4. Effective Approaches to Financial Education

**Address individuals' and their communities contexts and biases**

### Facilitating access to information/education

- Provide information/education through trusted and known sources
- Seek to centralise information (one website)
- Advertise the existence of such resources
- Assist consumers in comparing and assessing products (e.g. website with online comparison, calculator)

### Taking account of timing and location

- Do not waste potential teachable moments (after catastrophes/crisis, life cycle)
- Harness environments conducive to cognitive learning (schools, workplace)
- Include financial education in other social and community activities
- Modulate intensity (between soft and high-touch interventions)

### Supporting motivation and decision-making

- Build financial competencies foundation early in life
- Develop financial knowledge but also attitude and skills
- Introduce (financial) incentives for hard-to-reach groups
- Use peer pressure and community effects
- Use interactive methods (games, competition)
- Provide a tool box for action (e.g. focus on benefit, risk and cost)
- Reduce time between teaching and action : avoid procrastination
- Seek consumers feedbacks and encourage ongoing discussion



## 4. Effective Approaches to Financial Education

### Monitor and evaluate interventions

Monitoring and evaluation designed with the intervention and the setting of its main objectives (improving inclusion, knowledge, awareness, behavior, wellbeing)

Robust (quantitative and qualitative) evaluation methods should be used and adapted to interventions' goals, scope, audience and resources

Interventions should be monitored during and after to understand why it worked or why it did not work..

Report results and draw lessons from monitoring & evaluation to fine-tune interventions' design and tools depending on the audience



# 4. MOVING FORWARD : CONCLUSION AND WORK AHEAD



# Financial education works but is no panacea

FE won't produce change overnight – it is a process aimed at changing behaviors to *improve financial well-being*

If the objective is a *short-term outcome*: other types of interventions may be needed **but** they also have their drawbacks

In some cases, FE may need to *be associated with appropriate default mechanisms and regulatory measures*

- Part of the population will not learn and may be in serious danger in the absence of default mechanisms or mandatory schemes (pension, catastrophic risks)
- Limitation of choices may help individuals make a decision

Financial education is useless without *proper consumer protection*

- Appropriate disclosure requirements and enforcement of those!
- Redress mechanisms



# Work ahead :OECD/INFE contribution

**Global set of policy instruments on financial education and implementation methodology**

**Global matrix of evaluated programmes and initiatives**

**Cross-comparable evidence on financial literacy and inclusion & benchmarks**

- For adults : New OECD/INFE survey in 2015
- For youth : Release of the PISA financial literacy results for 18 countries in 2014; Next exercises in 2015 and possibly 2008
- Core competencies for youth and adults on financial literacy

**More academic research needed to inform policies : the INFE Research Committee**

- Learn from behavioural economics & social marketing
- Other education fields which aim to change behaviours : e.g health
- Assess impact beyond behavior : financial wellbeing

**Better understand specific subgroups' needs**

- Work on women, youth, migrants, MSMEs



# THANK YOU!

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