

# Enhancing Client Financial Capability

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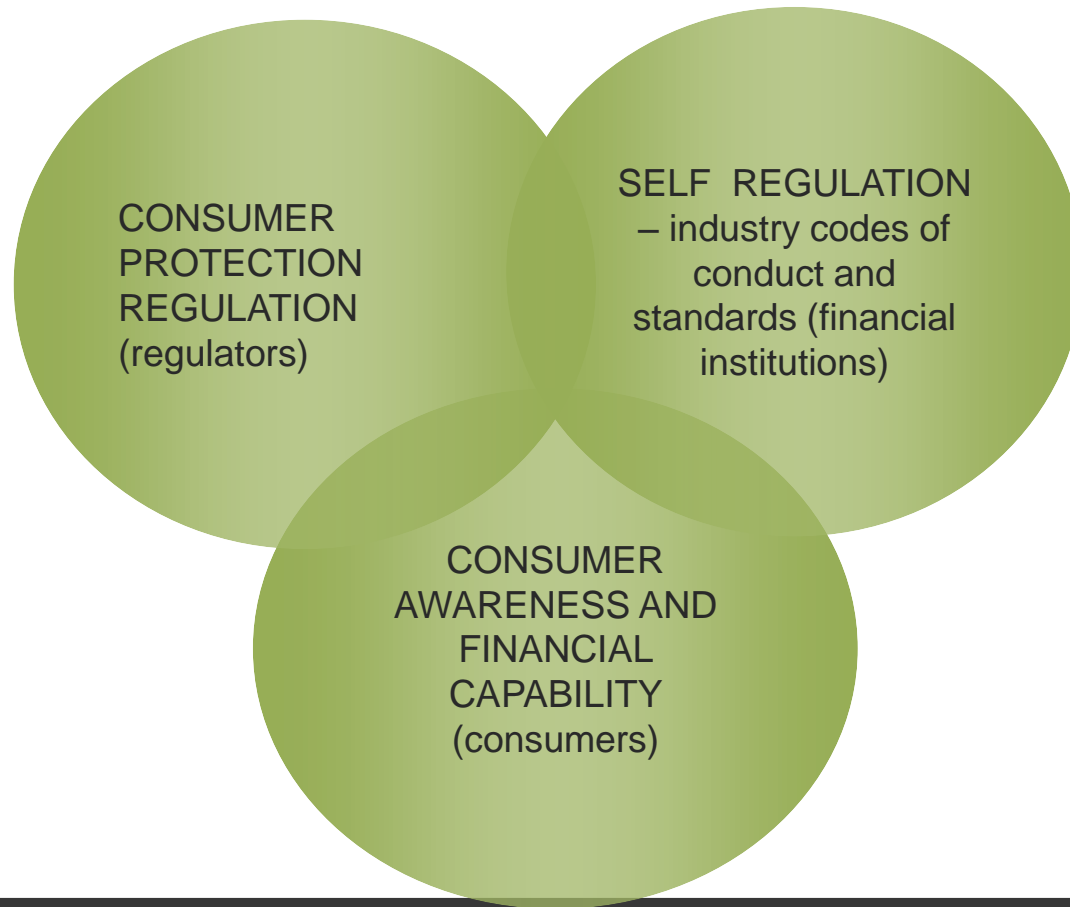


# Financial Capability: more than information and knowledge



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## Financial Capability is Part of Responsible Finance





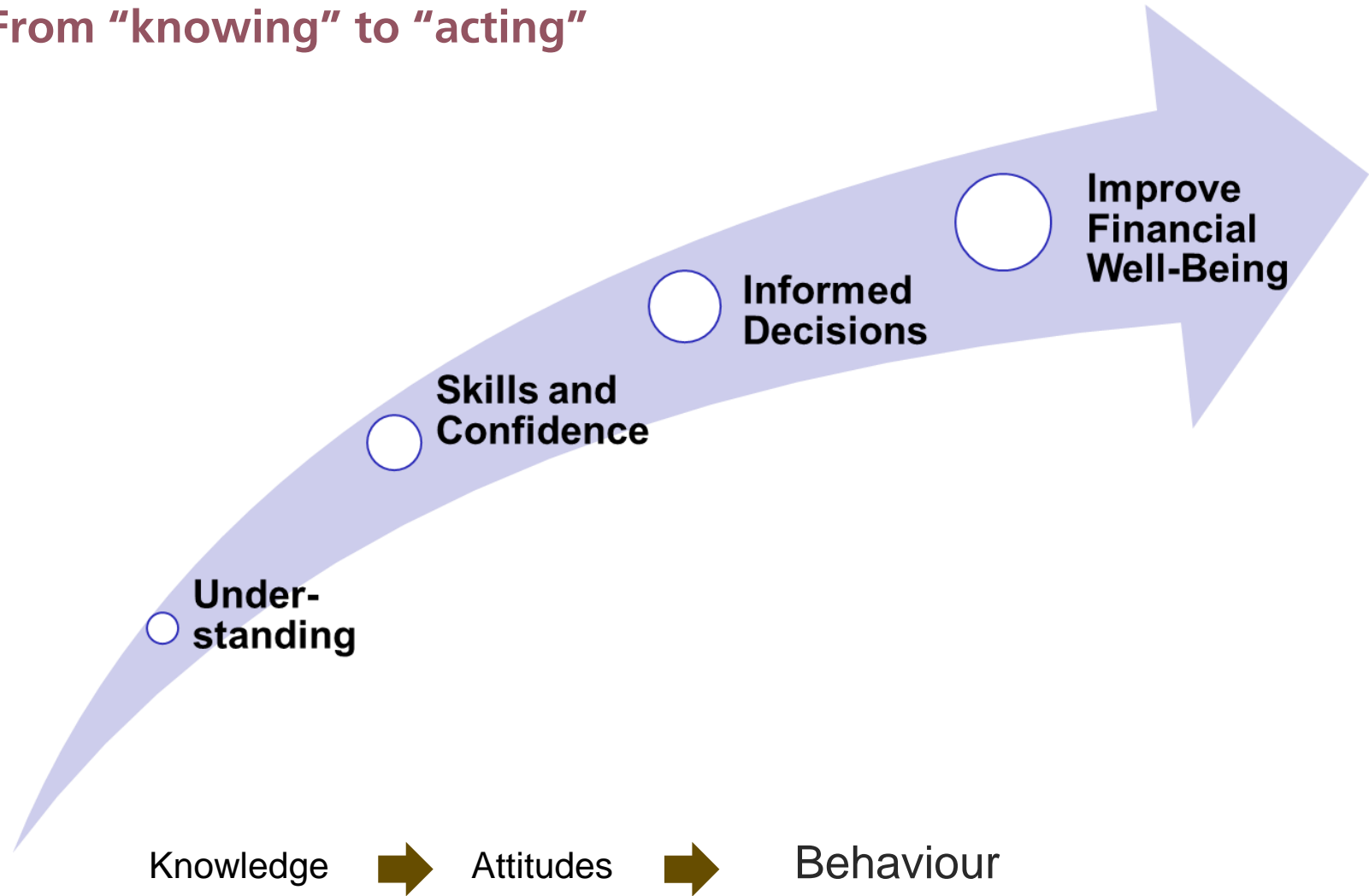
## Financial Capability

- The combination of knowledge, understanding, attitudes and especially *behaviors* consumers need to display in order to make the best financial decisions possible.



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From "knowing" to "acting"





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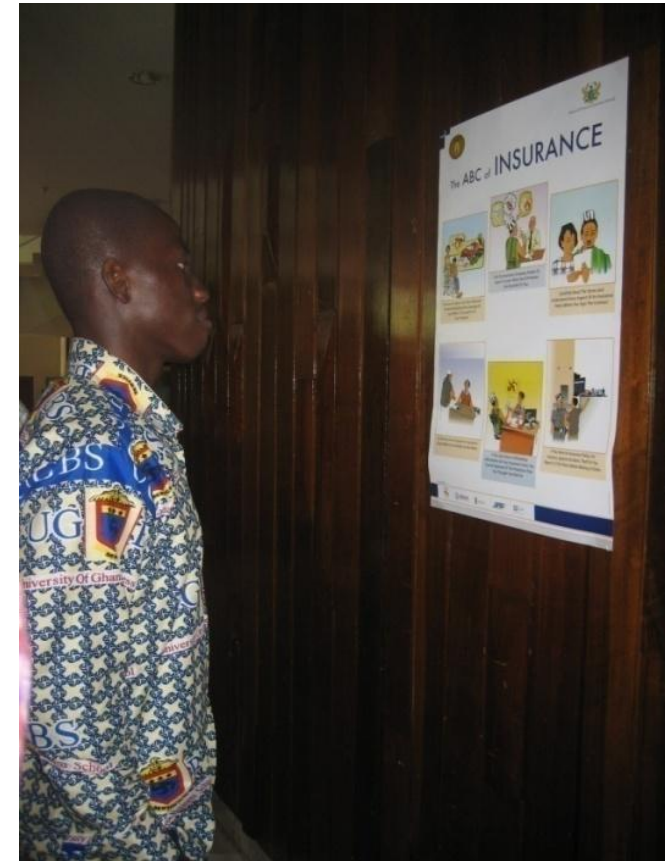
## Implications of low financial capability

- Low knowledge of financial concepts can result in poor decisions that affect economic well-being of consumers (included and excluded)
- Financial Institutions (and sector as a whole) negatively affected in many ways:
  - Low deposits, low market growth
  - Choice of inappropriate products, e.g. non-repayment of loans leading to high portfolio-at-risks and a negative image
  - Loosing clients
- Work place: correlation between financial distress and absenteeism, low productivity



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- How can consumers best be **informed** about their rights and **empowered** to act responsibly and make the right choices ...  
...in order to benefit from better access to safe and sound financial services and be **protected** from unsound financial services?





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## Channels

- Customer Interaction with FIs: training of loan officers, training of consumers
- Educational system (e.g. financial education in school curricula)
- Public information (e.g. newspapers, radio, TV, internet)
- Social Marketing (e.g. road shows, street theatre, edutainment)
- Institutional services (public and private): debt counseling, mentoring, money advice services/money guidance („one on one“)







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## What worked: focus on behaviours



- Take advantage of 'teachable moments'
- Mentoring (BMW)
- Established instruments working in a local context: street theatre Ghana
- Beware of behaviours: even if we have the right information we still take "irrational" decisions (e.g. "SimPill", pensions) → design of products, processes that support desired behaviour



## Implementation

- Identify champion
- Build capacity, form and enter new alliances (Media&CPAs, Central Bank&Banks, MoF&MoEducation, PPPs...)
- National strategies can form such alliances (Uganda, Ghana, ...)

## Example: Guiding principles in Strategy for Financial Literacy in Uganda

- Working in partnership
- Using a broad range of methods and channels
- Prioritising
- Taking advantage of teachable moments
- Consumer testing of proposed initiatives and materials
- Monitoring and evaluation
- Learning from experience, including from other countries, other sectors and other disciplines
- Communicating effectively
- Cost-effectiveness



## What we need to work on

- Knowledge, data (e.g. on literacy levels, levels of indebtedness)
- Product design
- Understanding behaviours
- Measuring impact (behavioural change)
- Mainstream financial capability in FSD as part of the responsible finance agenda