

Consumer Education: A National Necessity or An Unnecessary Irritation? The Role of the Regulator

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Presentation Outline

- Key Definitions
- The Need for Financial Consumer Education
- Financial Consumer Education Providers
- The Role of the Regulator in Financial Consumer Education
- Uganda's Case; Our Experience, Successes & Challenges
- The Questions;
 - Should Financial Consumer Education be Regulated?
 - Is Consumer Education a National Necessity or an Unnecessary Irritation?

Key Definitions

- **“Financial literacy** may be defined as the ability to make informed judgments and to take effective decisions regarding the use and management of money.”

Source: National Foundation for Education Research in the UK, Adopted by the Australian Securities and Investment Commission (ASIC)

- **Financial education** is the “process by which financial consumers/investors improve their understanding of financial products and concepts; and through information, instruction, and/or objective advice, develop skills and confidence to become more aware of financial risks and opportunities, to make informed choices, know where to go for help, and to take other effective actions to improve their financial well-being and protection.”

Source: OECD, 2005b

The Need for Financial Consumer Education

“If you think education is expensive, try ignorance”

Uganda

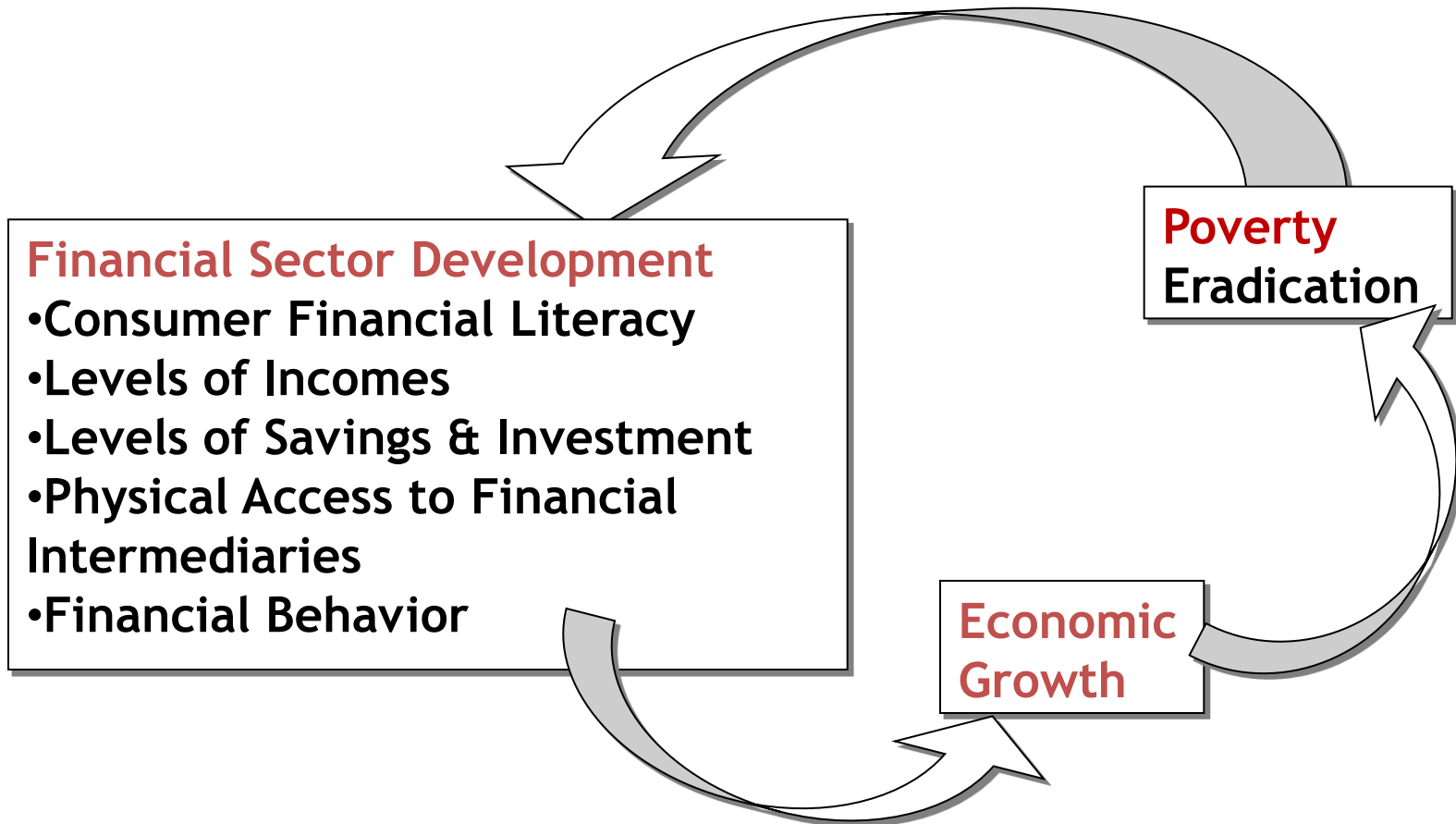
“Knowledge is better than wealth, you have to look after wealth but knowledge looks after you”

Zambia

“Minds are like parachutes they only function when they are open”

Nigeria

Macro Level



Micro Level



Market Development Perspective

- Development and sophistication of financial markets
 - ✓ More complex products
 - ✓ Increased supply of financial products
 - ✓ Overload of financial information and disclosure
 - ✓ Recent global financial crisis
 - ✓ Aggressive advertising and marketing by financial institutions
 - ✓ Consumers generally lack the necessary information, knowledge and skills

Financial Consumer Education Providers

Financial Consumer Education Providers

- **Government institutions**
 - Financial Markets Regulators
 - Education Institutions

- **Private Sector Institutions**
 - Licensed Capital Markets Players, Banks, Insurance Companies, Pension Fund Managers, Financial Education Providers e.g. Akamai Global and Investors Club.

- **Development Finance Agencies**
 - International Development Institutions like World Bank, IFC, DFID
 - Community based NGOs promoting financial literacy e.g. Private Education Development Network (PEDN), Innovations for Poverty Action (IPA) and FINCA Uganda.

Financial consumer education can be led by either of the above or through combined efforts of public - private partnerships.



UNITED KINGDOM

- UK; FSA Financial Capability Program . A seven point program on delivering change with schools, young adults, workplace, new parents, retirees, consumer tools publications etc
- Bank of England; Pound and Pence (9-11yrs) Money concepts, saving and spending, and borrowing are some of topics covered by P





MALAYSIA

Malaysia; Bank Negara Malaysia (Central Bank) with Citibank

- Using Credit wisely (Young Adults)
- Be wise and money wise (Children and teenagers)



- Banking info (Bank consumers)
- Insurance Info (Insurance Consumers)
- My money skills (teenagers, young adults, families)
- Malaysian Investor (Adults)



SOUTH AFRICA

- In 2001, the **Financial Services Board** developed a long term strategy to promote appropriate programmes and initiatives by the financial services industry, to inform and educate users and the potential users of financial products and services.
- In August 2002, at the National Economic Development and Labor Council (NEDLAC) Financial Sector Summit, the financial sector committed itself to the development of a **Black Economic Empowerment (BEE) charter**.
- This charter applies to the South African operations of the financial sector.
- According to the charter each financial institution commits to annually invest a minimum of 0.2% of post tax operating profits in consumer education.
- Consumer education includes programmes that are aimed at empowering consumers with knowledge to enable them make more informed decisions about their finances and lifestyles.



GHANA

- The country's Finance Ministry partnered with Support Programme for Enterprise Empowerment and Development (SPEED) Ghana, Ghana Micro Finance Institutions Network (GHAMFIN), Association of Rural Banks (ASSFIN) and CUA to teach people how to deal with personal finances.

- The programme highlight is the annual financial literacy week where public's awareness on the products and services being offered by financial institutions is raised and understanding enhanced.

- The campaign uses drama, plays and road shows, posters, simply written hand books and pocket guides on the ABC of Savings, Loans, Insurance & Investment to enhance peoples' understanding of their rights and obligations



AUSTRALIA

- Government pushed for financial education then corporate Companies and NGOs followed.
- Financial Literacy Foundation Funded by Australian Government whose aim is to deliver the government's commitment to assist all Australians make more informed financial decisions and better manage their money



- Girl \$avvy (14- 18) by Office for Women, New South Wales premiers Department
- My money skills



“Financial Literacy needs to be elevated to a more important level on the national and international agenda for a greater shared economic prosperity”

Dr. Zeti Akhtar Aziz, Governor Bank Negara Malaysia

The Role of the Regulator in Financial Consumer Education

IOSCO Principles

Financial consumer education is fundamental to the IOSCO principles of securities regulation which are based on the three objectives;

- Protecting investors
- Ensuring that markets are fair, efficient and transparent
- Reducing systemic risk.

The Securities Regulator's Role

- **Traditionally:** Financial services regulation focused on developing a robust legal, regulatory and policy framework thereby;
 - Managing the regulated institutions by restricting them to certain requirements and guidelines.
 - Maintaining the safety, integrity and efficiency of the financial system.

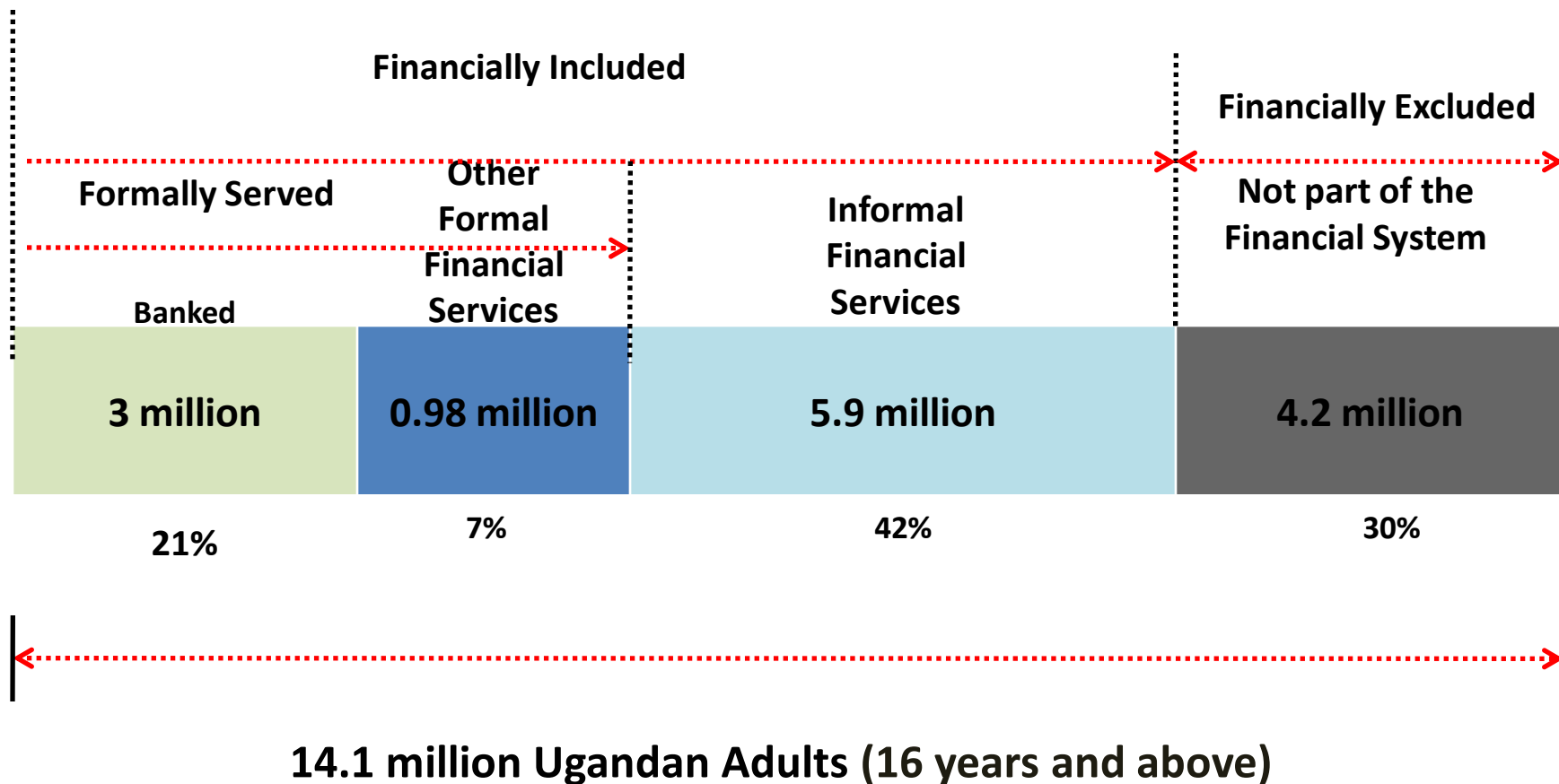
The Securities Regulator's Role

● **Overtime, The regulator's focus has evolved to:**

- Identify weaknesses and emerging vulnerabilities
 - Analyze risks and adequately contain and mitigate them
 - Provide appropriate incentives (penalties) to induce prudent behavior in the market place
 - Encourage innovations and strong institutions to develop
- ❖ **Most importantly, in emerging markets the regulator is expected to develop and at the same time protect the market from malpractices by those who operate in it.**
- ❖ **Therefore, financial consumer education is both a market development and investor protection tool.**

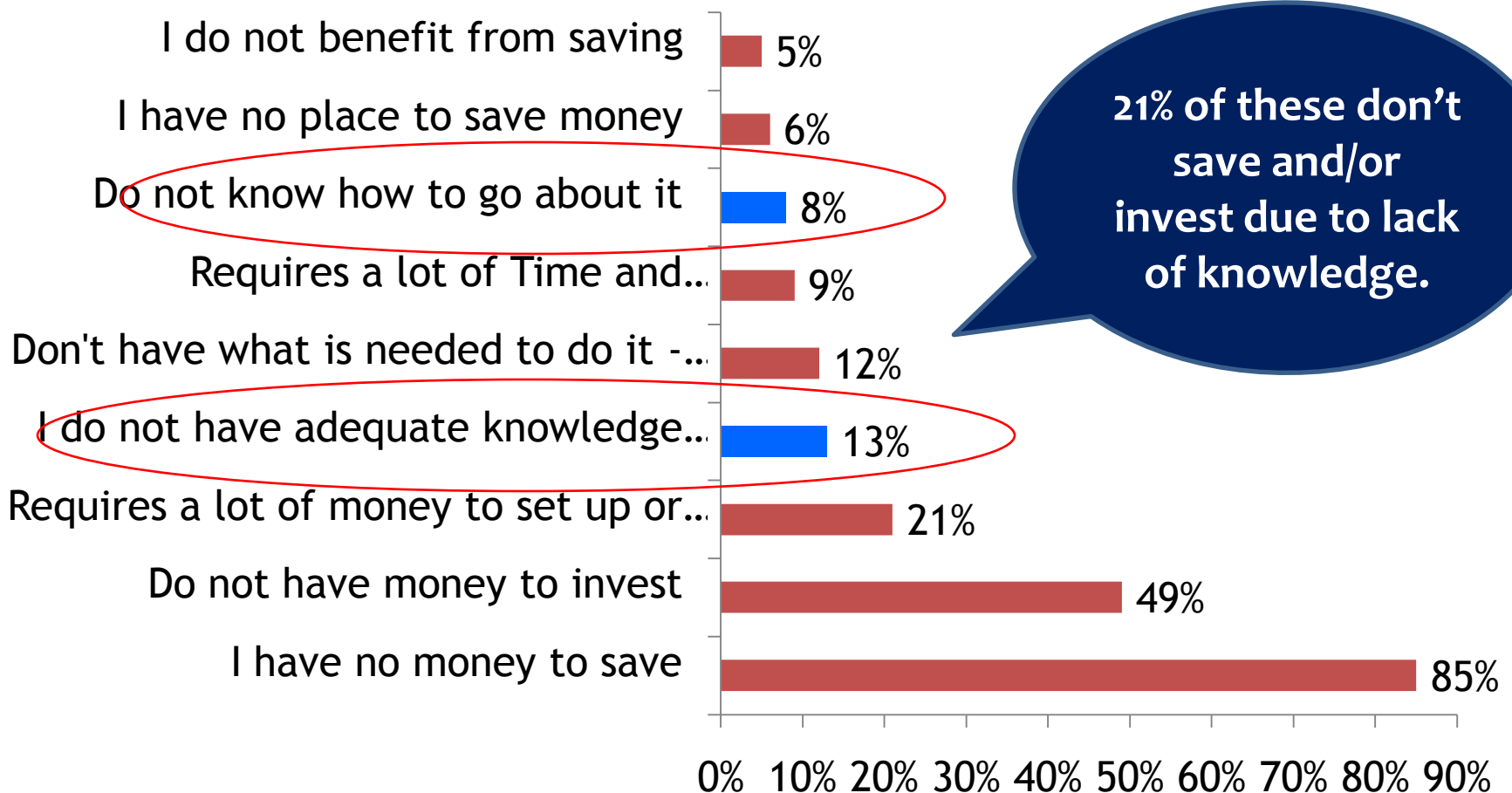
Uganda's Case Study

The Need for Financial Consumer Education; Facts & Figures



The Need for Financial Consumer Education

Reasons for Not Saving and or Investing of Ugandans Above 16 Years (%)



Our Belief

- The Capital Markets Authority Act stipulates protection of investor interests as a key function.

An Informed Investor is a Protected Investor

Strategic Partnerships

- Institutional partnership synergies with government and private sector institutions to develop & deliver financial literacy programmes for different audiences

ACCA



Consumer Education Initiatives



- ACCA - CMA partnership is building capacity for financial journalists through regular training, an annual recognition award, an online financial journalists discussion forum to improve financial reporting.



Consumer Education Initiatives

- The partnership with National Curriculum Development Center (NCDC) has resulted into the inclusion of capital markets in the curriculum of the entrepreneurship subject at Advanced and Ordinary Level Secondary Schools Curriculum.
 - 156,142 students have sat for the entrepreneurship exams, since the subject was introduced in 2005.
 - ✓ 138,968 at A-level
 - ✓ 17,174 at O-level



Consumer Education Initiatives

- The partnership with Makerere University Faculty of Economics and Management (FEMA) is working towards the inclusion of capital markets in the relevant University curricula.



● CMA spearheaded the establishment of Financial Literacy Foundation to increase financial literacy amongst the Ugandan public and lobby for policies and incentives that foster it. The foundation is supported by ten other institutions

- Uganda Insurance Commission,
- Uganda Insurers Association,
- The Uganda Association of Insurance Brokers,
- Ministry of Finance, Planning and Economic Development,
- Association of Microfinance Institutions in Uganda,
- Bank of Uganda,
- Uganda Bankers Association,
- Uganda Institute of Banking and Finance Services and
- Private Sector Foundation Uganda

Consumer Education Activities

- Development of a Public Education and Communication Strategy; Key tenets
 - Demand side issues
 - Supply side issues
 - Media plan
 - Monitoring and Evaluation framework

Youth Programme

- Schools Challenge
- Universities Challenge
- Schools Seminars
- Junior Achievement Uganda Seminars



Youth Programme

- Formulation and monitoring of investment clubs
 - 60 Investment clubs formed as a result of the secondary schools and university capital markets competitions held since 2003

Consumer Education Activities

- “Office to Office” customized seminars delivered at workplaces
- Publications in simplified graphics, translated into local languages to enable all consumers relate to the complex issues
- Radio talk shows
- Televisions talk shows

Consumer Education Activities

- Road shows
- Drama
- Exhibitions
- Sports Sponsorships



Edutainment: CMA Song



Other Consumer Education Initiatives

- Bank of Uganda in partnership with giz is developing a financial consumer protection framework for the financial sector.

The Challenges

- Limited financial and human resources
- Lack of capacity to monitor and evaluate the impact of all interventions made
- Uncoordinated programmes by the various players in the delivery of financial literacy
- Lack/Low participation of the industry players in consumer education
- Operating within a generation that still remembers failed banks and loss of securities has posed its own challenges

The Challenges

- Engaging low literacy persons in financial literacy programs; *Uganda's literacy rate is 69% for persons above 10years.*
- Drawing the line between marketing and education
- Packaging information for different categories of people and multiplicity of languages.
- The lack of a national policy on financial literacy.

Should Consumer Education Be Regulated?

Regulators' Role

- International standard setting bodies need to;
 - Develop principles for advancing financial consumer education which will help streamline all players involved
 - Manage perceptions
- Consumer protection charter should guide the design and delivery of all consumer literacy
- Develop cooperation between the public sector and private sector

**Is consumer education
a national necessity or
an unnecessary
irritation?**

- Financial Literacy , financial consumer protection measures, prudential regulation and financial inclusion initiatives are complimentary, rather than alternatives.

“Financial Literacy is a necessary condition for financial market efficiency....it is the only one part of an effective policy response to empowering consumers in the financial market place. It does not substitute for financial consumer protection and regulatory frameworks....”

THANK YOU

ASANTE

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