



Advancing financial access for the world's poor

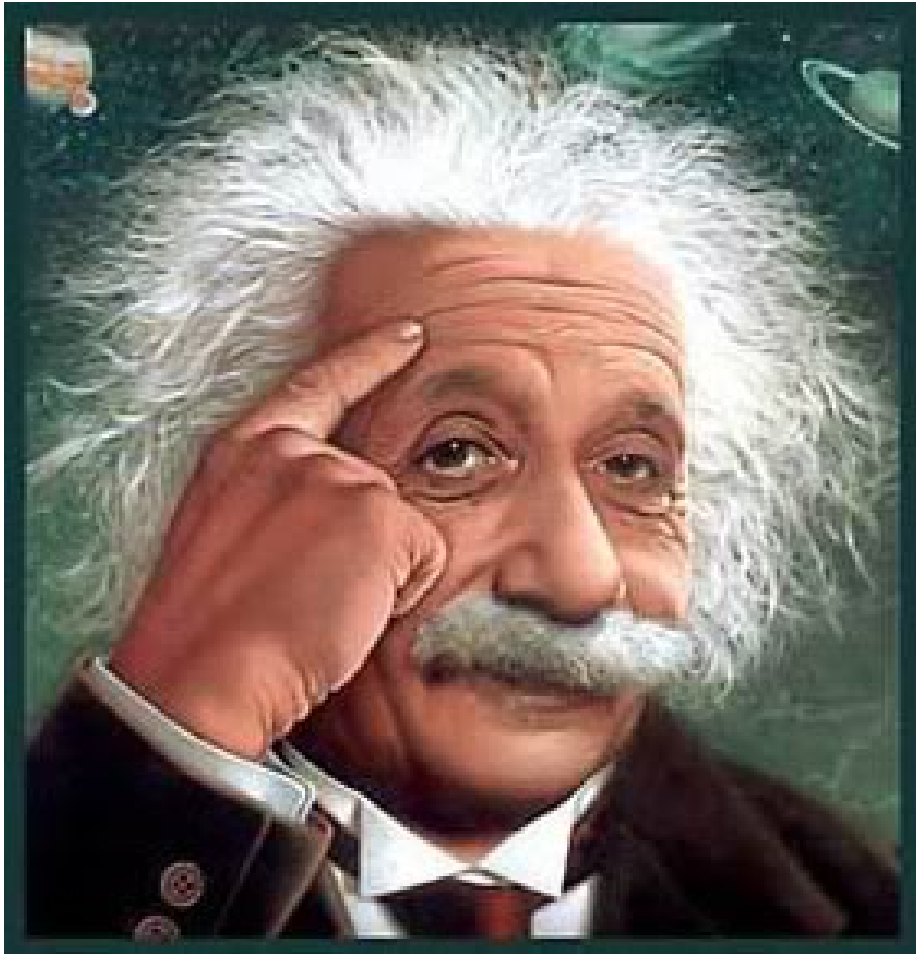
What have we learned? Building financial capability after the financial crisis

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Financial capability is hard



Does being financially capable in today's complex financial markets mean you have to be a rocket scientist?

And it's even harder for the financially excluded

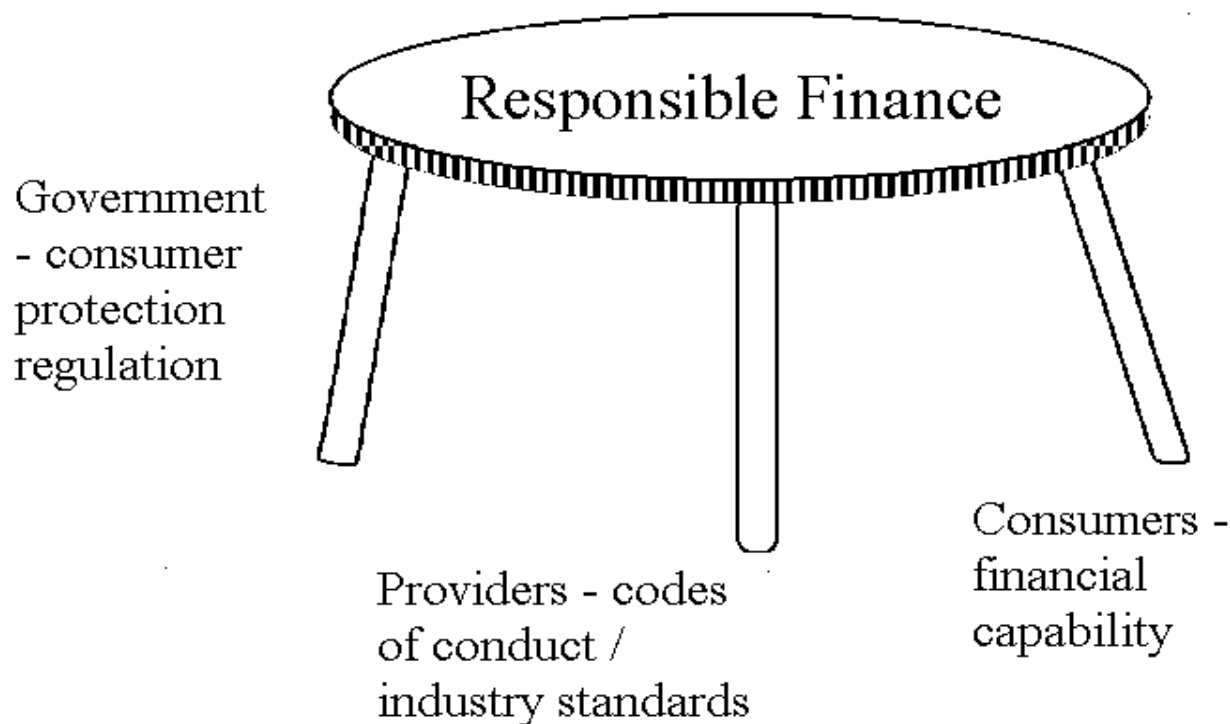


Billions of people in the developing world lack access to finance. Bringing them into the financial system is vital to development but doing so in the absence of a responsible finance framework is... irresponsible.

3 insights on financial capability post-crisis

1. Put financial capability in a broader context - *responsible finance*
2. It's not all logical – learn from behavioral finance
3. Build on what we know works and strengthen the evidence base

Responsible finance – A 3 legged stool



Financial Capability

The combination of knowledge, skills, attitudes and especially behaviors which consumers need to demonstrate in order to make sound personal finance decisions, given their economic and social circumstances.

Insights from behavioral finance

Men are more likely to take high risk / high return decisions when surrounded by men of similar social status (as in trading floors) Ermer, Cosmides and Tooby (2007)

Information and choice “overload” can reduce consumer welfare. Consumers valued a unique (1) product offer as much as a 2.3% reduction in interest. Bertrand, et.al. (2005)

Time and uncertainty biases - People systematically under-save and over-consume and “*may procrastinate on investing for retirement exactly because it is one of the most important life decisions.*” O’Donoghue and Rabin (1999)

Getting started: emerging lessons on what works

- ***Leadership by a public sector body***
- ***Start with the basics and keep things simple and engaging***
- ***Using multiple and diverse delivery channels including entertainment education, social marketing***
- ***Leverage – take advantage of teachable moments and diverse partners***
- ***Financial education in schools – embedded in the curriculum***
- ***Emphasize the learning agenda and communicate results - impact evaluation, national surveys***

Thank You and Safe Travels!