



On Financial Education in Asia Pacific

**Dr. Sarah Mavrinac
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INSEAD

Financial Literacy



A DEFINITION

Financial literacy reflects the individual's ability to grow, monitor, and effectively use financial resources to enhance the well-being and economic security of themselves, their families, and their businesses.

This implies basic skill in numeracy as well as an understanding of how to:

- 1) prepare and use basic budgets,
- 2) assess long-term financial needs,
- 3) effectively manage sources of credit or debt, and
- 4) devise appropriate savings programs

Financial Insecurity



Economic development and the growth of the financial services industry in Asia Pacific has transformed the region's money economy. While new services offer value gain to the consumer and economy, they are also coincident with

- **increasing use of credit cards by inexperienced consumers**
- **increasing household debt**
- **increasing rates of bankruptcy, and**
- **increased vulnerability among the young**

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The number of credit cards per household reached over 5 in Taiwan in 2003.

In South Korea, the level of household debt surged during 2002 to almost 75% of GDP

In Australia, household debt as a percentage of disposable income is over 140%.

Individual bankruptcies in Singapore hit a record high in 2004.

Almost half of all credit delinquents in South Korea are in their teens or early twenties.

The Need for Education



The naiveté and inexperience of many consumers heightens their vulnerability to scams, overspending, and mismanagement of debt.

The need for financial education is made more evident by the changing nature of regional social and family structures.

The 'graying' of Asia, changes in family social support structures, and insufficient pension systems, all suggest an increasing need for formal money training.

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Over 80% of Asians are concerned about their finances. Over half 'don't know much' about money management.

Only 11% of South Koreans surveyed believe they are financially secure.

Less than half of Malaysians surveyed believe they know 'enough' about managing their own finances.

Over 2/3rds INSEAD survey respondents believe that financial illiteracy among poor women is 'very' or 'extremely serious.'

Fewer than 10% of those surveyed have had a chance to take a money management course.

Principles



Financial Education is a life skill

Financial education empowers choice

The education of women is a priority

**Financial education is a
constituent part of economic development.**

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Innovations



While the region has not yet adequately addressed the need for financial education, there are pockets of innovation that offer inspiration & motivation.

Australia – National Consumer & Financial Literacy Task Force

Singapore – Monetary Authority of Singapore 'MoneySense' program

South Korea – Financial Quotient

Microfinance & Microcredit support systems

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8 Criteria for Successful Financial Education Courses*

1. Focuses on basic issues such as savings, debt, or home-buying
2. Is tailored to the target audience's culture, language, age, & experience
3. Leverages local resources & contacts
4. Offers follow up to reinforce & evaluate impact.
5. Establishes specific program & individuals goals & measure.
6. Demonstrates a positive impact on attitudes and/or behavior.
7. Can be replicated to ensure broad impact.
8. Is financially & practically sustainable.

* US Treasury

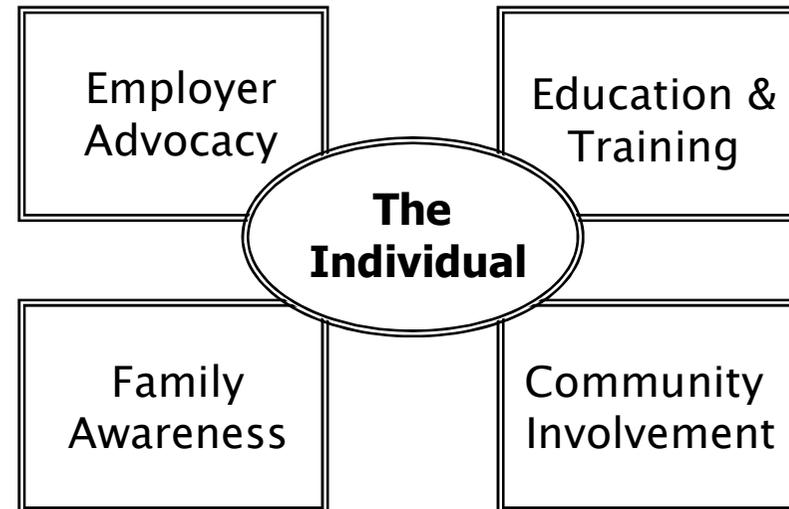
The Challenge



We look forward to local, country-specific commitments supporting

integrated & person-centered

financial educational programs.



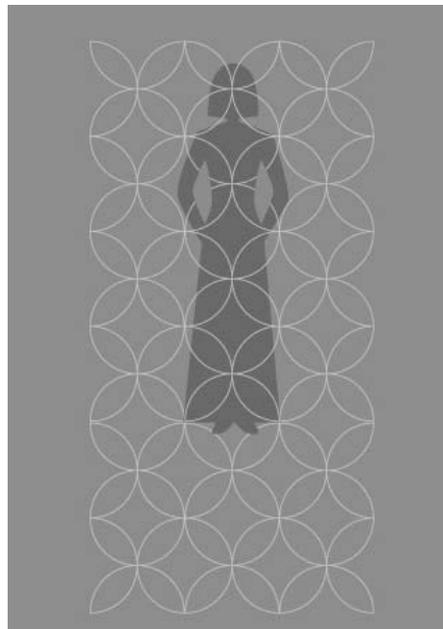
Pension Reform

Economic Development & Growth



Who We Are

ABACUS
is a research and advocacy
center promoting the advance of
financial education programs
throughout Asia.



What We Do

ABACUS
provides capacity-building
resources including
research, impact
assessment, networking
opportunities, and
management education for
social enterprise leaders.



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