

Financial Education and Economic Development - Discussion Points

Carlos E. Cuevas, The World Bank
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Financial literacy and household decisions/behavior – Highlights from two presentations

- Long-term savings – pensions
- Risk management – savings strategies
- Debt and debt management
 - Need to control for income levels?
 - Need to control for other variables?
- Issues for governments and financial institutions
 - Consumer protection
 - Transparency beyond “disclosure”

Financial access perspective

- Target audiences
 - Low levels of general education
 - Even lower levels of financial literacy
- Developing countries viewpoint
 - Low levels of literacy or outright illiterate
 - Multiple local languages, dialects
 - Customary rules about property and resource allocation
- Financial literacy essential to enable access to/use of formal financial services – from WB experience

Financial literacy and use of formal financial services (1)

- Assets: switching from traditional (physical) assets to financial assets
 - Understanding opportunities and advantages/disadvantages
 - Avoiding “pyramid schemes”
- Liabilities: accessing credit but “not too much”
 - Joint liability – group lending, key to access
 - Over-indebtedness

Financial literacy and use of formal financial services (2)

- Risk management

- Job stability – pension plans

- Diversification of income sources (when self-employed)

- Insurance

- Understanding risks (e.g., accident insurance, when is it worth buying?)

- Selecting insurance policies