



DIGITAL FINANCIAL LITERACY

OECD/CVM Centre on Financial Literacy and Education in LAC

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Why should policy makers focus on digitalisation?



DFS offer opportunities for financial inclusion of disadvantaged groups, including in emerging economies



Mobile/DFS are available to over 60% of the world's population (GSMA, 2016)



New products, interfaces, providers and delivery mechanisms create specific risks and challenges



Policy makers need a comprehensive package to tackle the market challenges and reduce the issues faced by consumers

G20 High-Level Principles for Digital Financial Inclusion

Ongoing G20 interest in digitalisation



Why should LAC policy makers do so?

- Mobile subscriber rates across the region continue to increase → 60% of population by 2020
- Active mobile money accounts : from less than 1 million in December 2011 to more than 10 million by the end of 2016.
- **At the same time around 300 million people are digitally excluded** and unable to enjoy the socioeconomic benefits that mobile internet can bring (*lack of digital skills and of financial literacy can exacerbate exclusion*)



WHAT DIGITALIZATION IMPLIES FOR CONSUMERS AND SMALL BUSINESSES

The promise.....

- Easier and timely access
- More affordable
- Better user experience tailored to individual needs



Digitalization and consumers/small businesses:**the other side of the coin**

Risks have emerged due to the spread of digital innovation

- **Market driven:**
 - New types of fraud, inadequate disclosure, un-transparent complaints handling mechanisms, issues around safety and confidentiality of data
 - Increasing use of digital profiling resulting in product pushing
 - Easier access to short-term credit (notably) and questionable market practices tend to reinforce consumers' behavioural biases
- **Regulation and supervision driven:** Uneven protection within and across countries (variety of providers, cross border selling, regulatory arbitrage)
- **Consumer driven:** increased digitalisation of life coupled with remaining low digital and financial literacy



...potentially impacting consumers and small businesses

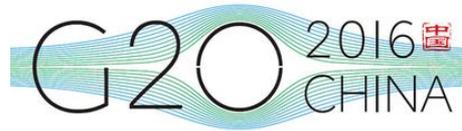
- Lack or uneven consumers/small businesses **protection** including data and confidentiality
- **New types of exclusion :**
 - for particular groups : elderly, women, MSMEs, those displaying low levels of digital and financial literacy
 - from particular policies : insurance, credit
- **Over-indebtedness** of particular groups (especially young)



OECD/INFE GUIDANCE ON DIGITAL FINANCIAL LITERACY



G20 Context



Chinese Presidency in 2016 and Germany's Presidency in 2017: considerable attention to the opportunities and challenges created by digital financial services

OECD/INFE has the opportunity to consolidate its global leadership role on financial literacy and education aspects to address the impact of digitalisation by delivering this Guidance

G20 High-level Principles for Digital Financial Inclusion: Guidance would make a significant contribution to the implementation of Principle 6: Strengthen Digital and Financial Literacy and Awareness, in line with the priorities of Argentina's G20 Presidency



1. Rationale

New opportunities for consumers and MSMEs

But also new risks: market driven, regulation and supervision driven, consumer driven



Lack of, or uneven, consumers/small businesses trust in DFS, the financial system and technological innovation.

New types of exclusion for certain categories of the population due to the possibilities offered by big data and digital profiling

Over-indebtedness of particular groups that might become over-reliant on easy access to online sources of credit

Increased customer vulnerability to phishing schemes, account hacking and data theft among other things



2. Objectives and scope

3. Diagnosis and co-ordination

2. Providing non-binding international policy directions to policy makers and other relevant stakeholders to:

Encourage policy recognition of the need to collect data and understand the development and implication of DFS for consumers and small businesses

Develop effective financial education initiatives specifically covering DFS and finance in a digital world

Support the design and use of digital tools to deliver financial education.

Further raise awareness, at the international and national levels, of the importance of financial education initiatives on DFS, in order to spur policy action

3. Encouraging policy makers to take a broad and informed policy perspective

collect data on the potential new risks linked to the emergence and use of digital finance, as well as on the links between financial literacy and digital skills

promote research on the issues faced by new and existing consumers as well as MSMEs and the use of digital financial services

act in co-ordination with other relevant stakeholders actively providing digital financial services and products



4. Content and core competencies

Identification of specific core competencies to empower and protect consumers in the light of the possible challenges and risks created by the digitalisation of finance (all core competencies included in the G20/OECD Framework are necessary for a safe and beneficial use of DFS)

- *Lack of, or uneven trust in DFS the financial system and technological innovation among consumers and small businesses*
- *New types of exclusion for certain categories of the population due to the possibilities offered by big data and digital profiling*
- *Over-indebtedness and over-reliance on easy access to online sources of credit*
- *Increased vulnerability to phishing schemes, account hacking and data theft among other things*



5. Effective delivery

Policy makers should promote digital financial literacy via traditional and existing delivery methods, as well as by harnessing the opportunities for behavioural change provided by digital tools

Traditional tools

- Programmes targeting the whole population, such as awareness campaigns and educational websites should be updated to include DFS
- Programmes for specific target audiences:
 - Youth - School curriculum
 - MSMEs – Tailored workshops
 - Older generations, in combination with strong FCP

Digital tools:

- Improve access to information and advice
- Reinforce core competencies, confidence and experiences with finance
- Enhance money management skills and control over finances
- Address, and possibly overcome, consumers' personal biases
- Incentivise positive financial behaviours

Promote and support evaluation, also using big data when delivery is digital



THANK YOU!

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