

Financial Education and Literacy: *The Role of Financial Institutions*

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Overview: *Role of Financial Institutions*



- Must be ***Committed*** to conducting business activities in accordance with the highest ethical standards, encompassing not only strict legal and regulatory compliance, but fair business practices and sensitivity to consumers' situations.
- Should ***Embrace*** a Responsible Lending Standard as guiding principles for all its activities, and audit adherence to these principles. Should be honored even in markets where adequate legal requirements may not yet be developed .
- Should actively ***Promote*** and work with responsible self-regulatory organizations (***SRO's***) to raise industry-wide compliance, promote consumer financial literacy, and contribute to a sound and healthy consumer financial services sector.
- ***Support*** and ***cooperate*** with regulators and government to share global best practices, and achieve the common goals economic growth, liquidity and consumer protection.

Touchstones of Responsible Lending



- **EMPOWER** customers to make **INFORMED DECISIONS**, so they can decide whether or not our offer is *of value* to them and *affordable* for them
- Products and processes are **TRANSPARENT** and **SUITABLE**
- Treat customers **FAIRLY** and with **RESPECT**
- Be **RESPONSIVE** to changes in customer circumstances causing financial difficulties
- Practice **Corporate Citizenship**, improving consumer education, and strengthening the financial system

Financial Education – Challenges and our Response: Disclosure and Suitability



- **KEY CHALLENGES**

- Insufficient Experience with Financial Products and Affordability Analysis
- Difficulty Reading and Interpreting Loan Documentation
- Lack of Understanding of Credit Information Management

- **RESPONSES**

- **Clear Summary of Terms.** Summary boxes disclosing key product features are provided to customers prior to the decision to purchase.
- **Fees.** The customer is clearly informed about fees and their purpose in general and is warned either before or as soon as possible after the fee has been incurred.
- **Underwriting and Suitability Review.** GE Money maintains clear policies to insure that it carries out careful review of the indebtedness and ability to repay of each customer prior to making loan. Regional Initiative to Promote Full-File Credit Bureaus.
- **Building Good Credit.** Show how positive loan repayment history builds credit standing, enhances empowerment. Work to promote modern credit bureau systems.

Financial Education – Challenges and our Response: Systemic Education Challenges



- **KEY CHALLENGES**

- **Historical Lack of Access to Formal Credit Sector**
- **Limited General Educational Background**
- **Understanding Strategic Use of Credit For Socio-Economic Improvement**

- **RESPONSES**

- **Targeted Programs.** Literacy and Education Programs Targeted and Specific Challenges in Each Market.
- **Addressing Root Causes.** Look at broader, systemic issues underlying low levels of awareness, such as lack of Financial Empowerment for Women.
- **Effective Partnering.** GE Money seeks out effective NGO's to partner with to drive financial literacy efforts.
- **Advocacy for Inclusive Financial Service Markets.** Work with regulators, policy makers to avoid well-intentioned measures that may exclude more consumers from access to credit, or drive them to informal credit providers.



Global Needs

e.g.: Financial Empowerment for Women



Targeted Program for each market



Issues & Needs in each country

e.g.: NEET in Japan, OFW in the Philippines

GE Money Asia Financial Education: Some of Our Programs

	The Philippines	Indonesia	Thailand
Name	WE (Women Entrepreneurship)	Bijak Dana Perempuan (Women Fund Wise)	Financial Learning for Women
Mission	Help young Filipino women transform from job seekers to job creators and to become enterprising leaders	Provide underprivileged women with opportunities to get and keep control of their financial well-being throughout their lifetimes	Provide disadvantaged Thai women access to basic financial education to help improve their work skills and quality of life
Partner	Let's Go Foundation	Association for Community Empowerment (ACE)	Goodwill Foundation and Association for the Promotion of the Status of Women
Start Date	December 2006	August 1, 2007	August 8, 2007
Target	Female college and high school students	Women in a village in South Jakarta	Young disadvantaged Thai women
Contents	Research, development of teaching materials, TTT for teachers, create website for sharing info and materials	Research, establishing cooperatives, consultation, developing teaching materials, classes	Curriculum covering basic financial knowledge and career improvement such as saving and basic investment, managing your loan, etc.
Photo			

GE Money Asia Financial Education: India Example

Financial Literacy Initiative

Financial literacy program for the women and youth of urban slums in Delhi aims to create awareness about the need for proper financial planning

- Partnership with HOPE Foundation, a well respected NGO and an affiliate of HOPE worldwide
- Since its launch in March 2008, the program has already served over **780 women and youth** (as at September 2008)



GE Money Asia Financial Education: Japan Example

“MoneyConnection”

Financial Education for high school students to prevent them from becoming ‘NEET’ (Not in Education, Employment or Training).

- Financial Education addressing one of Japan’s most serious issues
- Strong non-profit partner and advisory board
- Today this program has reached over **10,000** students since March 2007.



Targeted Programs: Steady Progress



■ Innovative and sustainable community partnership programs across the region:

- ✓ Indonesia
- ✓ Philippines
- ✓ Thailand
- ✓ Japan
- ✓ India

■ Since December 2006, the described programs have reached over **12,000** women and students across Asia.



Cara Pandai Kelola Keuangan Ala GE Money

GE Money Indonesia dan Pelaksana Pengelola Investasi (PPI) mengorganisasikan kegiatan untuk menegakkan program 'Riak Dosa Perencanaan'. Program ini memberikan kesempatan perempuan di daerah Lingsing Agung, Jakarta Selatan, untuk mempelajari konsep keuangan formal mereka.

"Ini pertama kali kami melakukan program enterprise social responsibility khusus untuk perempuan. Program ini memiliki manfaat nyata dan berkelanjutan bagi perempuan, selain mengidentifikasi kebutuhan GE Money di bidang keuangan," kata CEO GE Money Indonesia Hary Swagati di Jakarta, Rabu (1/10).

Pada tahap pertama program ini, GE Money dan PPI menyediakan fasilitas kelas, Pusat Pengembangan Sumberdaya Wanita (PSW) melalui program di Lingsing Agung. Peralihan ini meliputi pengembangan dasar tentang pengetahuan keuangan keluarga, tabung, usaha kecil, manajemen keuangan dan perencanaan keuangan.

manajemen keuangan dan perencanaan, serta memberikan pelatihan kepada ibu rumah tangga untuk perencanaan.

Didukung PPSW Jakarta Timur, Endang Sulistyowati mengorganisasikan. Selain dana yang diberikan GE Money untuk program ini melalui RIK anti-Jaka-Selatan Rp 40 juta diberikan tunai. Semua dibelikan untuk pengembangan kapasitas perempuan dan pembelian komputer laptop," ungkap Tji.

Suatu hari kemudian, Corporate Citizenship Manager GE Money Indonesia Azi Rahardjo tidak beresla mengungkap, "Itu adalah program ini. Yang penting program ini berfokus pada pemberi manfaat bagi perencanaan di Lingsing Agung," kata Azi. Namun, Azi mengungkapkan, selain itu GE Foundation tidak mengorganisasikan sekitar US\$4 juta untuk program CSR di Indonesia.

Riak Dosa Perencanaan merupakan program kedua yang di-



Building new beginnings
Goodwill Group Foundation offers hope and hands-on skills, with help from some businesses

ANITA DIPREYANT

Respect for women is the foundation of the Goodwill Group Foundation's (GGF) programs. In the past, women were often treated as second-class citizens. But now, they are being empowered with the skills and confidence to take control of their own lives.

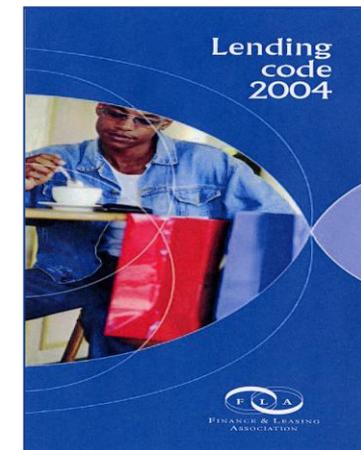
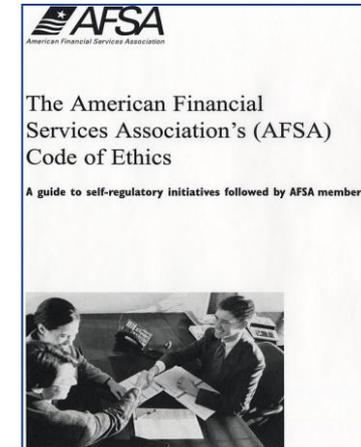
GGF has an office of 10 employees in the heart of Jakarta. It is a place where women are being trained in computer skills, English, and other practical skills. The program is open to women who are interested in learning and improving their lives.

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Importance of SRO'S



- Ensure Financial Education Initiatives are Embedded and Sustainable
- Fill Gaps in Regulation to Enhance Practical, Market-Based Protections
- Ensure initiatives are not just company “marketing”, but a win-win for consumers, industry and regulators
- Forums for continuing dialogue on financial service policy issues between industry, regulators, and consumer groups





Some SRO's Supported

AKKI
(Indonesia)

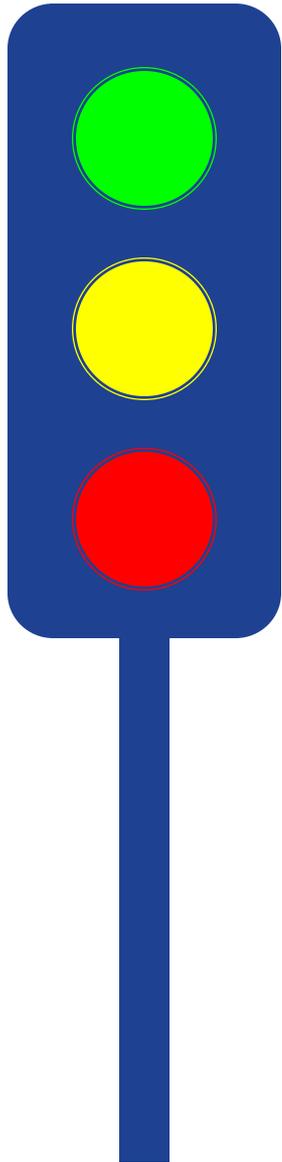
Consumer
Finance
Association
(Thailand)

Financial
Services
Association
(Japan)

Sharing Global
Perspectives
With Regulators

- Member of FSA and METI “Shingikai” Study Groups on Consumer Finance in Japan
- Sponsored Seminars on Consumer Finance with State Bank of Vietnam
- Charter Member of APEC Credit Bureau Coalition to Promote Best Practice Risk Management Systems
- Presentations on Credit Bureau Systems for Monetary Authority of Singapore

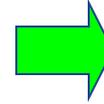
Financial Education Linked to Sustainable Lending



Borrower characteristic

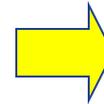
Lending Conditions

LE = 0 to "x" and/or D/I ratio \leq a%
e.g.: LE = 0 to 2 and/or D/I ratio \leq 20%



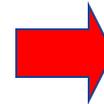
Receive Personal Financial Management Handbook

LE = ("x"+1) to "y" and/or D/I ratio $>$ a% & $<$ b%
e.g. LE = 3 to 4 and/or D/I ratio $>$ 20% but $<$ 30%



- Personal Financial Mgmt Handbook
- 1-2 hours of Financial Planning lecture (live or video based)

LE \geq ("y"+1) and/or D/I ratio \geq b%
e.g. LE \geq 5 and/or D/I ratio \geq 30%



In this category, lender should also perform income verification.

- Personal Financial Mgmt Handbook
- 3-4 hours of Financial Planning lecture (live or video based)
- **Installment loan only**

Association

- Financial Services Association becomes primary industry supported voice for financial education, financial management/counseling, and debt arrangement
- Any registered moneylender may become sponsoring member
- Encourage standards to be widely adopted by industry; report illegal and fraudulent practices and assist consumers and regulatory authorities

Recommendations for Further Action



- Encourage private-public partnerships and industry-NGO collaboration on effective financial literacy programs
- Respond effectively to marketplace needs with targeted programs.
- Promote SRO's to develop industry guidelines around consumer protection, disclosure practices and responsible lending and risk management.
- Enhance inclusiveness of financial service markets to provide safe, reliable, regulated credit options to consumers. Avoid measures that overly restrict credit supply and displace consumers to informal credit sector.
- Promote modern, full-file credit information systems. Reward borrowers for sound credit management.