

# It's as Easy as A, B, Financial Literacy

Financial literacy in emerging economies begins and ends with the principal financial decision makers — women

Courtesy: Chris Lake



By Robert Terpstra



On April 17 in the grandiose setting of the Federal Reserve Bank of Chicago, several hundred educators, advocates and experts spoke of one thing: financial literacy. It was a theme that Visa has now echoed in cooperation with the city's annual Money Smart Week for the past seven years.

*“You don’t have to be unique to be an important decision maker. When you’re talking about women’s financial literacy, you’re talking about society.”*

Visa, a global company renowned for its innovative payments’ technology, believes it’s necessary to educate future debit, credit and prepaid card account holders. The initiative is a financial-literacy crusade in teaching women and children in the emerging markets of the world about the fundamentals of personal finance.

In operation since 1995, financial literacy is a large part of Visa’s education portfolio. This year, improving women’s financial literacy and capabilities globally took precedence. Panelists during the day-long event provided attendees with an African perspective — an eclectic mix from the MENA region in Egypt, a BRICS country in South Africa and a hugely success story in sub-Saharan Botswana. Additionally, the governor of the State Bank of Pakistan provided some telling remarks about the progression of financial literacy in his country.

Women dominated the makeup of the two roundtable discussions, which included moderators K. Oanh Ha, Bloomberg News’ Vietnam Bureau Chief as well as Alison Griffiths, a financial journalist for MSN Money. In addition to questions submitted prior to the event through Visa’s website ([practicalmoneyskills.com](http://practicalmoneyskills.com)), moderators took real-time questions from a nearby iPad which had a continuous feed from around the globe using the Twitter hashtag #FinLitSummit. The on-demand video of the entire event can be viewed at [practicalmoneyskills.com/summit2013/webcast.php](http://practicalmoneyskills.com/summit2013/webcast.php).

Guests included Camille Busette, assistant director of the Office of Financial Education at the US Consumer Financial Protection Bureau (CFPB). Busette is the former vice president of EARN (EARN.org and @EARN), a national organization that provides low-income laborers

with the power to create economic prosperity. She reiterated the importance of building upon the strides made in financial literacy within the US, utilizing this to spread financial knowledge globally. They key to managing finances, she says, is making small decisions along the way that have seismic ramifications. To be able to put money away for school, kids and eventually retirement, may instill financial pressure on the individual in the present, but the financial reward, peace of mind and lessons learned in the long term make it worth it.

Additionally, talk of money begins at home. Tweeted @CFPB: “Stimulate a family conversation at home about money ... engage parents for financial literacy to work in schools.” Busette appeared to be on the same page as her colleague, CFPB director Richard Cordray, who in delivering the keynote address said, “We want to support teachers to teach financial management.”

Cordray emphasized that matters of personal finance are essential pillars of life, topical when we are experiencing the worst financial crisis since the 1930s and the Great Depression. The director said where financial literacy education becomes important is in preventing poor decisions and bad investments as well as attaining an above-average understanding of the marketplace.

Oftentimes, everyday investors make choices without realizing the consequences, which could be prevented with financial literacy about investing. The director says, “When we cease to become a dependent, we come face-to-face with reality — decisions have far-reaching consequences.” Other noteworthy cautionary tales from Cordray that most in the conference room could take to heart include avoiding common financial pit-

falls, ensuring financial disclosures are clear and concise, controlling your economic future, attacking problems with multiple tools and, interestingly enough, looking for opportunities or inroads in management literacy.

In addressing the key demographics: women and youth, Cordray had this to say: The school of hard knocks is no school at all, rather, financial education needs to be a continuous endeavor and begun early within the child’s prescribed curriculum. This point was touched upon several times over the course of the day and will most likely feature prominently during Money Smart Week and subsequent Visa–FT Financial Literacy Forum Series scheduled this year in early May in São Paulo, Brazil ([etouches.com/ehome/53193](http://etouches.com/ehome/53193)); Rabat, Morocco in June; Lagos, Nigeria in July and Yangon, Myanmar during September. The series aims to explore the challenge of financial education across emerging economies. This leads up to the 10th Citi–FT Financial Education Summit in December 2013.

As important as expressing oneself in the arts, through language and literature and succeeding in maths and sciences, managing money and finances should be required coursework for all. In his experiences nationwide, Cordray found that kindergarten to grade 12 (K–12) administrators would like to teach money and finance in school, but only 50% end up doing so. The absence of these vital life lessons are a crushing blow to what champions of financial literacy, including Visa, the CFPB, the Federal Reserve and one of the world’s largest newspapers by circulation, the *Financial Times*, are actively trying to promote. He further posits that the process of empowering children is important for parents as well.

For women, topics that fit under the umbrella of financial literacy were adopted as readily as their male counterparts' intentions. With women living longer than men, it remains telling that a gender gap in wages remains. Oftentimes in emerging markets, including Egypt, men may be the sole breadwinners of the household, but it is the women who are budgetary decision makers.

Finally, the director of the CFPB highlighted two settings where financial literacy can be championed: the workplace and place of worship. Cordray says employers can and must play an important role in awareness, education and sound decision making as it relates to their employees. In concert with this mode of thinking, morale, retention and productivity in the workplace will grow. Interestingly, faith communities are integral settings to build community outreach, while exposing and eliminating financial pitfalls will occur when people of the same faith who trust one another share their success stories and caveats.

### Financial literacy gone global

The summit presented a forum for varying perspectives from different corners of the Earth. Yaseen Anwar, Governor of the State Bank of Pakistan, illuminated a study done by the Asian Development Bank, which showed that worldwide, 2.8 billion people did not have bank accounts. He referred to these as the unbanked or nonproductive members of society. In Pakistan, with a population of nearly 195 million, 80% are unbanked and only 5% of Pakistani women have accounts in their name. The Central Bank of Pakistan has launched financial literacy programs for women, while at the same time educating them, as they alone have responsibility of taking care of

the financial decisions of a burgeoning household. At the same time, the illiterate in Pakistan need to be able to trust a government when money is involved. The figures for the country are grave: UNESCO and the Federal Education Ministry of Pakistan register the overall literacy rate at 46% while only 26% of girls are literate. Experts in-country are more skeptical, putting figures at 26% with only 12% of girls being able to read and write. The desperate situation is equivalent to 82.5 million illiterate females. Financial literacy appears to be eons away.

Still, bona-fide consumer protection is delivered to people within the country. Anwar emphasized that a cookie-cutter model that addresses the various concerns for women with regards to financial literacy will simply not work. There is hope, however, with the introduction, and now more mainstream use of microfinance institutions. Loans in small amounts, for the most part targeted toward women, typically have a close to 100% payback success. Starting a small mobile-phone service, purchasing livestock or foodstuffs and reaping the rewards of being a small businesswoman inevitably leads to empowerment for a populace that would typically not be privy to being the CEO, chairman and president of their own company. But they can be the decision makers of their own fate.

Trailblazing on the Indian subcontinent, Pakistan has been recognized by *The Economist* and *Financial Times* as initiating one of the most robust global financial systems. The banking sector is predominantly branchless and transactions occur over the phone. With control mechanisms in place, the state has mimicked the enormous strides first made in Kenya with M-Pesa. Billed as revolutionary by Safaricom and Vodacom, all walks

of life seamlessly transfer money through the vehicle of M-Pesa. In the process, people invest a part of themselves with various microfinancing tools in a modern-day trial of a paperless economy. In the city of Mombasa, Kenya's second city situated on the coast of the Indian Ocean, millions of transactions occur in the hundreds of small shops dotted over the countryside and rural centers. None of this would be possible in Pakistan, Kenya or elsewhere had the ability and the possibilities of a single person with a mobile phone been neglected.

On April 15, the World Bank Group released a report about the effectiveness of a mass cash transfer in the wake of the devastating August 2010 Indus River floods that affected much of Pakistan. Two tranches of PKR 20,000 (\$202 or LE 1,400) were provided to over 1.01 million homes and over 7.5 million people between November 2011 and January 2013. In 18% of the cases, 181,000 beneficiaries were female-headed households and families. Funds were disbursed in the form of debit cards by engaging the private sector. Using this money effectively in every household, for the future will truly test the robust ability of Pakistanis' money management. This remains especially true for the country's women, as regional studies, most poignant in Bangladesh, have shown that women plan more for the future and set aside a little every week while the opposite sex are more susceptible to spending in splurges.

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Courtesy Chris Lake



**The Financial Literacy Summit in Chicago aimed to improve women's financial literacy and capabilities globally.**

In Botswana, Linah Mohohlo, the Governor of the Bank of Botswana, says many of the challenges the Botswana face stem from their financial know-how. She confidently says that it is not cultural barriers that remain the origin of the problem, adding that anyone who discriminates on the basis of gender is on the wrong side of the law. Although situated in sub-Saharan Africa, the country is a tremendous success story with an estimated 7.7% real GDP growth rate in 2012 according to the CIA World Factbook — good for 19th best in the world. Still, with the vast Kalahari Desert and an abundance of rural areas outside of

the capital city of Gaborone, the ability to showcase financial literacy by means of outreach is a trying task but one that provides lifelong opportunities.

Botswana has a biannual Money Week that teaches the very basics of banks and illustrates the dangers of the host of the prevalent Ponzi schemes. The 419 Scam, so named for the specific criminal code of Nigeria that targets fraud, first became widespread in the West African nation but has since spread to several African countries, including Botswana and South Africa. Educating those who are susceptible to believing that a small amount will be rewarded

with a one-time astronomical sum remains a vital part of the curriculum. Mitigating scams like these while advancing education in fiscal responsibility and money management begins and ends with the self. It's almost as easy as A, B, financial literacy.

The governor stated that women in particular understand the full gamut — earnings, expenditures, investment, all the while balancing this with their savings. She concluded by saying, “You don't have to be unique to be an important decision maker. When you're talking about women's financial literacy, you're talking about society”. *bt*