Financial Capability and Consumer Protection – A way Forward to Financial Inclusion in Africa

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Abbreviations

4Ps	Product, Price, Place and Promotion.
AMFIU	Association of Microfinance Institutions in Uganda
CCP	Consumer Code of Practice
CGAP	Consultative Group to Assist the Poor
FWP	Financial Wellness Programme
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
DFID	Department for International Development (UK)
MFI	Microfinance institutions
MFW4A	Making Finance Work for Africa
NCR	National Credit Regulator (South Africa)
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
SME	Small and medium enterprises
KfW	Kreditanstalt für Wiederaufbau

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Poor households and low-income individuals often have limited access to basic consumer financial services, such as payments, savings, loans and insurance. Consequently, they lack the assets needed to finance life-cycle events such as birth, marriage and education, they remain vulnerable to adverse shocks, and have to revert to expensive and traditional forms of finance. In Africa, on average only 20 percent of households have access to formal financial services. Even when formal financial services are available, low-income consumers and small and medium enterprises (SMEs) often continue to face a variety of barriers in terms of physical access, affordability, and eligibility. As a result of these obstacles, as well as other structural impediments and incentives facing financial institutions, credit to the private sector in Africa accounts for less than 30 percent of total lending.[1]

Fortunately financial inclusion is advancing in the region, spurred by a combination of technology-enabled solutions such as mobile banking, increased attention by local and international investors and improved policy and enabling environments. Many who are gaining access were previously unbanked and are not familiar with basic financial terms, much less with the advantages and disadvantages associated with different types of financial products and services. Survey data from Malawi and Rwanda, presented in Table 1 below, underscores this point. As financial inclusion reaches more vulnerable populations, often with less education, lower incomes and little, if any, formal financial market experience, it is imperative that access be offered responsibly.

Table 1 Results from Recent FinScope Surveys

Adults that have heard and claim to understand the term …[2]	Malawi (2008)	Rwanda (2008)
"Debit card"	3 %	1 %
"Current account"	13 %	29 %
"Interest on savings"	15 %	37 %
"Interest on loan"	21 %	56 %

"How can consumers of financial services be empowered to make the right choices in order to benefit from better access to safe and sound financial services? And how can government help to protect consumers from unsound financial services?" These questions framed the discussion for more than 200 participants from more than 25 African countries at the 2009 MFW4A Conference *Promoting Financial Capability and Consumer Protection, A Step Forward towards Financial Inclusion in Africa*[3]. A new approach to responsible finance was introduced at the conference by identifying three mutually reinforcing pillars: consumer protection by governments, self-regulation by financial service providers and investors, and improving financial capability and consumer awareness at the client level.

Three Pillar Approach to Responsible Finance
+ Consumer protection regulation
+ Industry self-regulation
+ Financial capability and consumer awareness

[1] See also *Making Finance Work for Africa*, by The World Bank, 2007
[2] *Financial Literacy in Africa, A Cross-Country Analysis* using Finscope, presentation by Maya Makanjee, 8 September 2009. FinScope is a comprehensive, demand-side survey of consumer interaction with financial markets. See also **http://www.finscope.co.za**
[3] See **http://www.mfw4a.org/financial-capability/financial-capability-conference.html**

By definition, responsible finance is the delivery of financial services in a way that is transparent, equitable and sustainable. There is growing interest in many African countries and elsewhere on strengthening financial capability and consumer awareness as a crucial input for developing inclusive financial sectors.[4] For example, Financial Access 2010, a survey of 142 regulators worldwide published by CGAP, found that 80 % of financial sector regulators in Africa have consumer protection as part of their mandate and nearly half (49 %) are also responsible for improving financial literacy[5]. The conference linked financial literacy and capability with the broader framework for consumer protection, including both government regulation and oversight and industry self-regulation. Accordingly, the new approach to responsible finance encourages initiatives to improve financial capability and consumer awareness while demanding policies, practises and products that avoid unfair or harmful treatment of clients.

The recognition that sound and inclusive financial sectors are strategic drivers behind economic development and poverty reduction is one rationale behind this approach to responsible finance. In the long run, financial service providers benefit from having more knowledgeable and capable customers and from adopting policies, practices and products that adequately protect their customers' interests. Rather than detracting from efforts to extend acces to finance, responsible finance should be viewed as a booster, encouraging demand by building knowledge and trust of financial products and services among the population and enhancing the quality of what is supplied by formal financial intermediaries.

Responsible finance is also important for the role that it can play in directly protecting consumer interests and limiting the potential for harm. Pyramid schemes and other financial frauds can have terrible consequences for the poor who are already vulnerable. Problems with generally reputable financial providers can also lead to significant harm over time as when interest rates are kept artificially high, when fees and penalties are levied unnecessarily or when people are sold products that they don't need or understand. Recently attention on harm from financial inclusion has been on MFIs in some markets where pressure from competitors, the tapping of international capital markets, and profitable Initial Public Offerings have come with reports of aggressive loan collection practices, high and opaque prices, and the over-indebtedness of customers.

The recent international financial crisis provides another clear example of the dangers posed to individuals, firms and even financial systems, when the three elements of responsible finance are lacking. However, while many African countries consider consumer protection and financial literacy part of the regulator's responsibilities, only two have specific consumer protection measures for customers of financial services in place. Similar situations exist in Africa with respect to self-regulation by industry and financial capability. On the one hand there is growing awareness and recognition of the importance of these two "legs" of the three legged responsible finance stool (where consumer protection is the third) but still relatively little progress being made on implementation.

[4] While the evidence on what works in financial capability interventions and programmes is limited, there is clearly growing interest in how to support consumers in financial markets. This ranges from promoting awareness of products and consumer rights to understanding the implications of behavioral economics and psychology on financial decision-making. See also FinScope National Surveys, USAID Africa Education Initiative, BWM-GTZ Study on Employee Financial Wellness, 2008, and CGAP's Focus Note on Financial Capability, 2010 (forthcoming)

[5] These figures compare favorably with the global data where the corresponding figures for developing countries were lower for consumer protection (only 71 % of regulators indicating this was part of their mandate) and slightly higer for financial literacy (58 %). Interestingly, a relatively higher share of developing country governments indicated that financial inclusion generally, and consumer protection and financial literacy specifically, were part of the financial regulator's responsibilities, perhaps reflecting the greater concern with these issues in less developed financial markets.

This paper builds on the 2009 MFW4A Conference "Promoting Financial Capability and Consumer Protection, A Step Forward towards Financial Inclusion in Africa". It offers a framework for considering the three aspects of responsible finance, identifies opportunities for partnership and suggests some innovative new approaches to making progress toward more healthy and sustainable financial inclusion.

Consumer protection regulation

Following the global financial crisis, the call for consumer protection in financial markets is growing. Worldwide, policymakers are being asked to translate broad consumer protection principles into appropriate and applicable laws, regulations and enforcement mechanisms for financial services. Yet, consumer protection regulation and enforcement vary across countries according to their stage of financial sector development, financial inclusion goals, regulatory capacity to supervise and regulate, and consumers' levels of financial capability. The challenge for policymakers in developing markets is to balance consumer protection and fair treatment with the expansion and development of inclusive financial markets. Costly and damaging overprotection – the so-called "rush to regulate" – must be avoided if new products, services, providers and technologies are to be able to be tried and, where successful expanded, to meet the massive and largely unmet formal financial needs of many African consumers.

Framework of Consumer Protection Regulation
+ Transparency
+ Fair treatment
+ Effective recourse

Consumer protection need not discourage responsible financial inclusion by reputable providers. On the contrary, effective consumer protection laws, regulations and enforcement mechanisms help to strengthen public confidence in the financial sector. If appropriate and enforced, protection regulations also bring discipline to the market, encourage innovation and stimulate competition. At the 2009 MFW4A Conference, a number of issues demanding consumer protection regulation in developing markets and low-access environments were highlighted.[6] Discussions focused on three central aspects of consumer protection as it relates to financial inclusion: transparency, fair treatment, and effective recourse.[7]

Transparency

First, the low-level of transparency and information asymmetry found in developing markets needs correction. In financial markets, information provides power, and imbalances in power weaken financial systems. The low level of financial capability of consumers in developing markets only reinforces the information advantage of financial service providers. Transparency rules or disclosure regulations seek to create standardised and comparable information on prices, terms, conditions, and risks to consumers and supervisory authorities. For example, transparency rules can prescribe the presentation of information and the methodology for calculations made by financial service providers.

[6] *Financial Consumer Protection, Malaysia's Approach*, presentation by Ooi See Eim (Central Bank of Malaysia), 9 September 2009; Consumer Protection in Financial Services, presentation by Samuel Ochieng (Consumer International), 9 September 2009

[7] See also *Consumer Protection in Credit Markets*, by the Financial Access Initiative, 2009; Consumer Protection Regulation in Low Access Environments: Opportunities to Promote Responsible Finance, by CGAP, 2010; and Consumer Protection, Leveling the Playing Field in Financial Inclusion, by the Alliance for Financial Inclusion, 2010

Fair Treatment / Business Conduct

Fair market practices and regulations relating to business conduct are another effective way to protect inexperienced and vulnerable consumers. Fair treatment regulations include, for example, rules on misleading advertising, business and staff ethics, and the avoidance of harmful products and practices. The equitable treatment of consumers should also prevent discrimination and the use of entry barriers by financial service providers. Another aspect of business conduct which is getting increasing attention in many African countries relates to the use of client data, including participation in credit bureaus, and how data are used to bundle products, price risk and determine collection practices. Rules should be in place to protect the confidentiality of consumer data in general terms while at the same time clarifying the rationale for sharing data under specific circumstances such as for credit reporting.

Recourse

Effective recourse mechanisms help build confidence and trust among consumers of financial services. In particular, mechanisms to report complaints, errors and abuses can help to reassure consumers when problems occur. They should be accessible and easily understood by inexperienced and vulnerable consumers. However, it is worth remembering that not all providers offering the poor financial access are institutions that are under the supervision of the main financial supervisory body. For unregulated entities, such as unlicensed MFIs, the presence of various watchdogs and consumer advocates is vital to instil a culture of responsible finance. Financial service providers should be responsible for resolving disputes. Additionally, the regulator, an ombudsman or another independent organisation can provide a recourse mechanism beyond the providers. Consumer protection regulation should also provide redress or complaint handling mechanisms in order to understand consumer issues and complaints, analyse trends in market practices, and respond with appropriate enforcement if needed.[8]

At present, general consumer protection measures are being implemented, drafted or planned in a number of African countries. Other countries may have elements of consumer protection regulation in other laws or regulations. Twenty-five African countries have included disclosure norms or requirements for financial institutions in their laws or regulations.[9]

At the same time, more than 35 African countries have consumer protection agencies. Some of these are active, but many are weak and operate without an enforcement mechanism to support them. In fact, most of the consumer protection agencies are non-governmental organisations (NGOs), and do not have a focus on consumers of financial services.[10]

[8] *Major Challenges in Financial Capability and Consumer Protection in Africa*, presentation by Nomsa Motshegare (National Credit Regulator South Africa), 8 September 2009; and Financial Capacity Development and Consumer Protection in Africa: Progress in Financial Inclusion in Africa, presentation by Konzo Traoré (Banque Centrale Des Estats De L'Afrique de L'Ouest), 9 September 2009
[9] See also *Sub-Saharan Africa 2009 Microfinance Analysis and Benchmarking Report*, by CGAP, 2010
[10] *Consumer Protection; What is already Happening in Africa?*, presentation by Karen Losse (GIZ) and Christopher Musoke (Genesis Analytics), 8 September 2009

Consumer Protection Regulatory Frameworks in Africa	
Consumer Protection Law in place	Angola, Cape Verde, Malawi, Mauritius, Mozambique, Nigeria, South Africa, Uganda
Consumer Protection Law or Bill ready or planned	Ghana (provisions in three other laws), Kenya, Malawi, Mozambique, Senegal (provisions in Microfinance Institutions Law), Zambia
Disclosure norms in place	Botswana, Democratic Republic of Congo, CEMAC (Monetary and Economic Community of Central Africa) countries (6), Gambia, Liberia, Mauritania, Mozambique, Namibia, Sudan, Tanzania, Uganda, WAEMU (West African Economic and Monetary Union) countries (8), Zambia
No disclosure requirements in place	Burundi, Ethiopia, Lesotho, Madagascar, Nigeria
Consumer Protection Agencies[11]	Present in over 35 countries in Africa, including Burundi, Cape Verde, Chad, Ethiopia, Ghana, Kenya, Malawi, Mali, Morocco, Senegal, Seychelles, Togo, Tunisia, Uganda

The two African countries with specific consumer protection measures for financial services are South Africa and Mauritius. In South Africa, the National Credit Regulator (NCR) is responsible for policy development, the registration of industry participants, and to ensure the enforcement of the National Credit Act. Levels of transparency of credit contracts have improved since rules of disclosure are in place and written loan agreements are mandatory. In addition, the NCR has implemented reckless lending provisions. Lenders in South Africa must have policies in place that prevent reckless lending, lenders must consider the ability of borrowers to repay loans, and lenders must make an enquiry on the National Loans Register before entering into a loan agreement. Furthermore, the NCR is responsible for investigation of complaints, education and research.

Generally, the legal and regulatory frameworks for microfinance in the Sub-Saharan African region are strong and often reflect international good practices.[12] However, throughout Africa, the critical downside remains the implementation and enforcement of these laws and regulations, severely slowed down by the limited capacity, tools and resources available to supervisory authorities.[13] As long as the basic capacity for prudential regulation of microfinance is limited, it will remain difficult to successfully implement and effectively enforce consumer protection regulation and supervision. Alternatively, limited capacity, tools and resources create an incentive for policymakers to focus on the non-regulatory approach to consumer protection, and to encourage and support initiatives aiming at industry self-regulation.

[11] See also **http://www.consumersinternational.org**

[12] Since 2002, microfinance-specific laws and regulations have been drafted, adopted or implemented in many countries. Only Eritrea, Swaziland and Seychelles have no regulation in place to cover the microfinance sector. In North Africa, the level of legal and regulatory development is generally lower.

[13] See also *Sub-Saharan Africa 2009 Microfinance Analysis and Benchmarking Report,* by CGAP, 2010; 2009 *Arab Microfinance Analysis and Benchmarking Report*, by CGAP, 2010

Prudential regulation	Govern the financial soundness of licensed financial institutions mobilising deposits from the public and engaging in financial intermediation.
Non-prudential regulation	Govern the behaviour of registered and licensed (engaged in delivery of financial services and financial intermediation) financial institutions with respect to their conduct of business

Client Protection Principles in Microfinance
+ Avoidance of overindebtedness
+ Transparent and responsible pricing
+ Appropriate collections practice
+ Ethical staff behaviour
+ Mechanisms for redress of grievances
+ Privacy of client data

Self-regulation: industry standards of practice and codes of conduct

Industry-wide initiatives for developing and implementing standards of practice that incorporate good practices in customer relationships, business ethics and social performance have been launched. The Social Performance Task Force aims to develop a common social performance framework. The Task Force works on a range of issues and questions relating to social performance measurement and management.[14] In 2008, microfinance leaders developed the Client Protection Principles, now called the Smart Campaign, to be adopted by the microfinance industry. The Smart Campaign emphasises self-regulation of the industry through voluntary conformance. More than 1 000 MFIs, investors and donors, national and international networks or associations, supporting organisations and individuals have endorsed the principles.[15] In the same year, Microfinance Transparency was established. This organisation offers a platform to the microfinance industry to publicly demonstrate its commitment to pricing transparency, integrity, and poverty alleviation. So far, around 500 microfinance industry leaders have endorsed Microfinance Transparency's Statement.[16]

The challenge that financial service providers face is to implement social performance measurement and management tools, client protection principles, and to report on successful policies, good practices and improved products. While developing and implementing responsible finance principles within their own institutions, providers are increasingly encouraged to form partnerships and directly consult with each other, governments, businesses and other stakeholders. At the 2009 MFW4A Conference, participants discussed their experiences with implementing the Smart Campaign's protection principles (see box). On the one hand, the principles are believed to effectively promote and protect customers' interests and rights. On the other hand, they are believed to form a minimum requirement, especially for financial service providers that formulate a development purpose in their mission statement. Microfinance providers emphasised the importance of the protection principles for building on their organisational identity, alignment of stated values and actual behaviours of staff, and in building a long-term relationship with their clients.[17]

[14] See also **http://www.sptf.info**
[15] See also **http://www.smartcampaign.org**
[16] *The Need for Transparency,* presentation by Larry Reed, 8 September 2009. See also **http://www.mftransparency.org**
[17] *Advans Ghana – Implementation of the Client Protection Principles,* presentation by Tanguy Gravot (Advans Ghana), 9 September 2009

Investors and donors play a key role in strengthening consumer protection by financial service providers in developing markets. By publicly endorsing principles of responsible finance, and by implementing them into investment policies, investors and donors create awareness. Through technical assistance, donors (and some investors) can directly support appropriate protection initiatives, help prioritise issues, and build on the knowledge and skills of providers. In addition, investors and donors can create incentives and enforcement of principles by integrating them in their screening and monitoring processes and in their financing or shareholder agreements. By actively monitoring, evaluating and reporting on protection principles, investors and donors play a direct role and show their commitment to shareholders and other stakeholders.[18] For example, KfW, Incofin, and Oikocredit now require their investees to endorse responsible finance principles and implement social performance measurement tools.[19]

National and international networks and associations of financial service providers can enhance the widespread endorsement and implementation of protection principles. Also, they can distribute information and insights from successful experiments and best-practices. For example, the Association of Microfinance Institutions of Uganda (AMFIU) developed a voluntary Code of Practice including responsible finance principles.[20] Established in 1996, the member-based microfinance association has 117 members, 79 MFIs and 39 associate members or partners (other institutions and individuals). The Code of Practice is an entry requirement for the membership to the association. At the same time, AMFIU is co-operating with its partners to support members in implementing the responsible finance principles.

Financial capability

Financial capability is the combination of knowledge, understanding, skills and, most importantly, behaviour, which consumers need to demonstrate to make sound personal finance decisions given their economic and social circumstances.[21] In general, a distinction can be made between the case for improving financial literacy and the broader understanding and awareness of consumer behaviour and attitudes.

Financial literacy and education programmes aim at the consumers' understanding of financial products and concepts and their ability and confidence to appreciate financial risks and opportunities. The objective is to empower consumers to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being. Although transparency and disclosure norms may prevent consumers being misled, basic education and information is necessary to help consumers make sound and informed financial decisions by themselves. For example, improved financial literacy may have a positive impact on the low saving rates in Sub-Saharan Africa, the use of financial products to facilitate business transactions, and help improve household consumption.[22] In return, financial literacy can help to improve the efficiency and quality of financial services, in maintaining market confidence, and underpin market stability. By comparing options, asking the right questions, using official channels for registering complaints, and by using "the power of their feet"[23], empowered consumers also reinforce competitive and regulatory pressure on financial service providers.

[18] See also *Investors Implementing the Client Protection Principles in Microfinance* by CGAP, 2010
[19] *Responsible Finance – the perspective of a development finance institution,* presentation by Stefan Hirche (KfW), 8 September 2009
[20] *Consumer Protection/Conduct of Business Regulation: AMFIU's experiences,* presentation by David Baguma and Zainab Asiimwe (AMFIU), 8 September 2009
[21] *Financial Capability – What Works,* presentation by Margaret Miller (CGAP), 8 September 2009
[22] *The Case of Financial Literacy in Developing Countries, Promoting Access to Finance by Empowering Consumers,* by Nicholas Godfrey (DFID), Margaret Miller (World Bank Group), Bruno Stark (OECD) and Evelyn Stark (CGAP), 2009. See **http://www.oecd.org/dataoecd/35/32/43245359.pdf**
[23] See also *What is responsible finance?* by CGAP, 2010 **http://virtualconference.cgap.org/faqresponsiblefinance**

Why information isn't enough, insights in behavioural biases[25]	
Procrastination (or time bias) – tendency to have high short-term discount rate and lower long-term discount rate[26]	Postponing a cost or advancing a benefit to the present is found attractive, regardless of the respective high future benefit or costs. Causing the use of credit cards, and inadequate voluntary savings. For example: 81 % of the pre-retired in the UK think that a state pension will not provide them with the standard of living they hope for in retirement. Nevertheless, 37 % of these people have not made any additional pension provision.[27]
Avoidance – people are concerned with what they have compared to what they used to have or might have. Also, people have a tendency to stick with prior choices	Causing consumers to avoid decision-making, settle for default option, and the inclination of staying informed in financial matters
Mental Accounting – common tendency to create artificial budgets covering different categories of expenses and income	Causing irrational decisions such as saving against low interest rate while simultaneously borrowing at high interest rates.
Processing of Information – people face limits on processing information	Too much information and choice can reduce active decision-making, cause distraction, and a focus on inappropriate or unimportant information leading

Apart from the case for improving financial literacy and financial education programmes, the 2009 MFW4A Conference participants insisted on a broader understanding of consumer behaviour and attitudes. New insights from the field of behavioural economics show how behavioural biases influence the attitudes and actions of consumers, affecting credit markets.[24] Adding to these behavioural biases are people's vulnerability to marketing, and the customers' value of commitment (to an extend causing multiple borrowing and overindebtedness).

Some research suggests that these psychological attributes rather than information, knowledge, or skills determine the financial behaviour and attitudes of consumers. This suggestion may help explain the mixed results found in studies on the effectiveness of financial literacy and education programmes. In fact, including debiasing techniques such as encouraging critical thinking, emphasising accountability and training in decision-making, in financial education programmes may be useful. However, more research on the effect of debiasing techniques on personal finance is required.

The case for financial capability and improving financial education programmes in Africa is especially relevant at present. A large number of consumers are entering the financial markets for the first time – because income levels are rising, access by low-income people is expanding, and new technologies make participation easier. At the same time, financial products and services are increasingly complex and the number and type of service providers is also growing. In many developing markets, consumers and newcomers are asked to take more responsibility for important financial decisions affecting their current and future economic and social circumstances.

[24] *Psychology and Economics: What it Means for Microfinance* by Sendhil Mullainathan and Sudha Krishnan, 2008; *Consumer Protection in Consumer Markets* by David Porteous, 2009
[25] *Financial Capability: A Behavioral Economics Perspective,* Financial Services Authority, 2008
[26] See also **http://en.wikipedia.org/wiki/Hyperbolic_discounting**
[27] See also *Financial Capability in the UK: Establishing a Baseline,* by the Financial Services Authority, London, 2006

In general, financial capability and literacy interventions are delivered through a variety of initiatives, programm-es, type of messages, and channels.
For example, schools are an important channel for knowledge building, changing attitudes and creating consumer awareness. The African youth, especially African girls between 16-22 years of age, are targeted through several initiatives and in some cases directly by financial institutions. Demographics show that this is the most relevant and potentially the most economically active age group. Both the private sector and government have a strong interest in this age group.

In addition, African employers and financial institutions may target workers at their workplaces. Research shows that financial stress can contribute to an individual's ill health, absenteeism, poor productivity and low morale.[28] However, none or limited financial counselling or support services are available to African employees. In South Africa, BMW commissioned a study on the financial well-being of employees in the automobile industry in 2001. As a result, BMW SA successfully conceptualised and implemented a Financial Wellness Programme as a part of the health offering to employees.

To serve different client segments and handle a range of financial issues, a combination of broad media campaigns, information and disclosure norms, education and training, advisory services, and personal counselling is necessary. In particular, the 2009 MFW4A Conference participants emphasised the usefulness of social marketing and edutainment models.[29]

A variety such initiatives are already found throughout Africa, ranging from road shows to television programmes targeting new and existing consumers of financial services.

Moreover, the improvement of financial capability and literacy requires a multiple-channel and multiple-sector approach. The 2009 MFW4A Conference participants emphasised the importance of working in partnerships and discussed the benefits of improved financial capability for a broad range of stakeholders and partners. Eventually, a national strategy, framework, or programme on financial capability enables the co-ordination of efforts made by various stakeholders in a country. In more detail, a national strategy or framework may help to engage a broad range of stakeholders and partners, provide focus and encourage involvement, and set priorities while avoiding unintended gaps or duplication of activities.[30]
Yet, evidence on the effectiveness of implementing a national financial capability framework is missing.
For example, in Africa, while several countries have planned a national strategy, only Ghana approved and implemented a national strategy in 2009 (see box).
In the meantime, improvement of financial capability and literacy through smaller-scale, more specific interventions remains very relevant.

Financial Capability Frameworks in Africa	
Developed	Ghana[31]
Planned	Kenya, Namibia, South Africa, Tanzania[32], Uganda

[28] *The negative impact of employee poor personal financial behaviours on employees,* by E.T. Garman, I.E. Leech & J.E. Grable, 1996
[29] *Social Marketing: Using Edutainment to Change Behaviours and Attitudes,* presentation by Dilsey Davis (Café Con Leche Media), 8 September 2009;
Soap works! Educate and Entertain and You Meet Audience Needs, presentation by David Campbell (Mediae), 8 September 2009;
Social Marketing and Finance Review, presentation by Nancy Lee (Social Marketing Services, Inc.), 8 September 2009
[30] *Improving People's Financial Capability – Working in Partnerships,* presentation by Shaun Mundy (CGAP), 9 September 2009
[31] *Ghana's National Strategy for Financial Literacy and Consumer Protection in the Microfinance Sector,* presentation by Nicholas Gyabaah (Ghana Ministry of Finance and Economic Planning), 8 September 2009
[32] *A National Strategy in Progress: Tanzania,* presentation by Gerda Piprek (MarketWorx Africa), 8 September 2009;
Developing a National Financial Literacy Strategy –Tanzania, presentation by Deogratias Macha (Bank of Tanzania), 8 September 2009

In 2009, Ghana approved the National Strategy for Financial Literacy and Consumer Education in the Microfinance Industry. The objective of the strategy is to create awareness and educate consumers, to make consumers understand their rights and responsibilities, and to change attitudes by translating knowledge into behaviours. Also, the national strategy aims to promote the development of partnerships and supports the development and sharing of good practises in responsible finance. Together with development partners, the Ghanaian government supports training programmes for staff of MFIs, consumer education initiatives, the implementation of financial literacy programmes in schools, and the establishment of clearinghouses and an online platform to provide information and to act as complaint centres. Highlighting the most recent financial literacy activities in Ghana are the Financial Literacy Road Shows and Financial Literacy Week, held in September 2009.

Summary

Insights from the 2009 MFW4A *Conference Promoting Financial Capability and Consumer Protection, A Step Forward towards Financial Inclusion in Africa* demonstrate the importance of responsible finance to unleash the potential of African financial sectors to drive economic development and reduce poverty across the continent. In addition, the conference results demonstrate that the responsible delivery of financial services requires a multi-stakeholder framework. In the new approach to responsible finance, governments, financial service providers, and consumers engage in three mutually reinforcing pillars.

Governments are responsible for implementing and enforcing consumer protection regulation, creating a level playing field between financial service providers and consumers. Few African countries have specific consumer protection measures for financial services in place. The National Credit Regulator in South Africa is an example for a legally mandated conduct of business/consumer protection regulator.

The financial sector is responsible for industry-wide self-regulation by developing, implementing and reporting on standards of good practice and codes of conduct. The industry is asked to create an environment for consumer protection and to support the improvement of financial capability-levels of consumers. On a global scale, multiple initiatives aim to develop and implement responsible finance and investment principles. On a national level, microfinance networks and associations can play an important role, as illustrated by AMFIU in Uganda.

Consumers and financial service providers are expected to benefit from improved financial capability and financial education programmes. Throughout Africa a variety of initiatives, projects, and programmes aim at the improvement of financial literacy and consumer awareness among schoolchildren, youth, workers and consumers. Participants of the 2009 MFW4A Conference emphasised the importance of working in partnerships. Eventually, national frameworks can encourage the formation of new alliances that are needed to bring the three pillars of responsible finance forward. This should involve the media, consumer protection agencies, central banks, banks, ministries of finance and education, and many others. National Strategies are, however, not a magic bullet and not a "must have".

Looking forward

Responsible finance is a hot topic of debate and discussion in both developed and developing markets. In particular, the responsible delivery of financial services to inexperienced and vulnerable low-income individuals, micro-entrepreneurs and SMEs in developing markets is increasingly drawing attention. Improving financial capability and consumer protection in these markets is challenging with long-term objectives. Above all, the new approach to responsible finance encourages innovation, new initiatives and experiments to stimulate, expand and improve access to sound and safe financial services in developing markets.

The effective implementation of consumer protection regulation is not easy, especially if regulatory and supervisory authorities face capacity constraints. Throughout Africa, the improvement of capacity, tools and recourses available to supervisory authorities is, and will, remain a challenge. Nevertheless, countries can proceed incrementally, and build on a consumer protection framework as markets mature. Challenges are to identify pressing priorities and problems in time, and to develop, implement and enforce laws and regulations cost-effectively.[33] A number of African countries have proven capable of developing and implementing consumer protection laws. More countries are expected to develop specific consumer protection measures for financial services. Launched in 2010, CGAP's Financial Inclusion Regulation Center is expected to become a great resource for informational and research purposes.[34]

Over the years, much progress has been made in setting industry standards and developing codes of conduct that incorporate good practises, business ethics and social performance. A significant period of experimentation is now needed to identify the most appropriate and cost-effective implementation approaches for different providers, practises and products. Throughout this period of experimentation, and the period required to develop and implement specific consumer protection measures for financial services, the role and responsibilities of national microfinance associations will grow. At the same time, the debate on the responsibilities and expectations of microfinance investors and managers is intensifying. The ultimate challenge is to determine what the measures and standards for responsible investments in microfinance are.

Already, a number of African countries have, or are in the process of, developing national strategies for financial capability and education. Yet, evidence of the widespread improvement of the financial capability through national strategies is missing. Once more, a significant period of experimentation is necessary to determine the role and responsibilities of public and private partners, and to study the effectiveness of different channels and type of messages. Smaller scale, more specific interventions are expected to provide useful insights.

Backing the new approach are the Principles for Innovative Financial Inclusion identified by the Access through Innovation Sub-Group of the G20 Financial Inclusion Experts Group. At the G20 Leadership Summit in Toronto, held in 2010, the group released nine principles including principles on protection, co-operation and empowerment, confirming the importance of the three mutually reinforcing pillars for responsible finance.[35] Work on implementing these principles will continue.

[33] See also *Consumer Protection Regulation in Low Access Environments: Opportunities to Promote Responsible Finance,* CGAP, 2010
[34] See also **http://www.cgap.org/p/site/c/regulation_center/**
[35] See also *Innovative Financial Inclusion,* by Access through Innovation Sub-Group of the G20 Financial Inclusion Experts Group, 2010

Contributors

The 2009 MFW4A Conference *Promoting Financial Capability and Consumer Protection, A Step Forward towards Financial Inclusion in Africa* had many relevant inputs, discussions and results. In this conference publication, we aim to capture and share the results of the presentations and discussion held during the conference. A number of key speakers have contributed chapters, summarising the message of their presentations and experiences.

Kate McKee of CGAP gives an overview over the implications of consumer protection for improved access to finance. Creating effective consumer protection laws and regulations and helping consumers to develop the financial capability skills needed to navigate the financial marketplace are important aspects of financial inclusion.

Louis Kasekende, Deputy Governor of the Bank of Uganda (BoU), provides an insight in the work of the BoU on financial consumer protection. BoU recognises that, beyond prudential regulatory and supervisory structure, financial literacy and financial consumer protection are complementary elements contributing to the evolution of a safe, sustainable and inclusive financial sector.

In terms of self-industry regulation, Asiimwe Zainab and David Baguma share the experiences of the Association of Microfinance Institutions in Uganda (AMFIU) in consumer protection and codes of conduct. AMFIU's experiences provide an insight in the increasingly important role played by national microfinance association in consumer protection and in safeguarding the reputation of the microfinance industry as a whole.

Together, a number of contributions capture the conference results on financial capability and education. Shaun Mundy emphasises the importance of working in partnerships to improve financial capability in developing markets. Partnerships should encourage active players, stakeholders, and potential partners to share knowledge and experiences. Maya Makanjee shares the experiences of FinScope in mapping the level of financial literacy across the African continent. FinScope surveys provide information on financial behaviour, attitudes, interests, financial management, financial product use and the quality of life of adults in an increasing number of African countries. The surveys conducted in 14 African countries allow for an insightful cross-country analysis.

Nancy Lee and David Campbell elaborate on the usefulness of social marketing and edutainment models. According to Nancy Lee "influencing positive financial behaviours is the natural next frontier for social marketers to get serious about". Seven best-practice essentials for success when applying social marketing principles and techniques to influence desired financial behaviours are introduced.

David Campbell's contribution *Using Mass Media for Social Change* is an introduction to the broader concept of development communication. The usefulness of mass media for development and education is illustrated by the experiences of Mediae in East Africa.

In a second contribution, Shaun Mundy addresses the importance of financial education in schools. The contribution provides practical suggestions for those working to improve the financial capability of people, and emphasizes the usefulness of working together with the Ministry of Education, the curriculum authority and other educational bodies in their country. The role of private partners in financial capability improvement is illustrated by the conceptualisation and implementation of BMW SA's Financial Wellness Programme for employees. Natalie Mayet of BWM SA shares the company's findings in South African's automotive industry.

Finally, a mapping of the state of financial capability and consumer protection provides an overview of numerous of initiatives and activities already underway or planned across the African continent.

Consumer Protection Regulation

Promoting Healthy Financial Inclusion in Africa

Kate McKee, CGAP

As financial inclusion expands across Africa it is increasingly important to develop a robust approach to safeguarding the interests of low income consumers, in particular those who may be using new products, or even joining formal financial services for the first time. Creating both effective consumer protection laws and regulations and helping consumers to develop the financial capability skills needed to navigate the financial marketplace are important aspects of financial inclusion for two main reasons:

1. For their role in boosting and accelerating financial inclusion – where consumers have greater confidence in the quality of financial products and services and their ability to seek redress when problems happen, they are more likely to participate in formal financial markets.

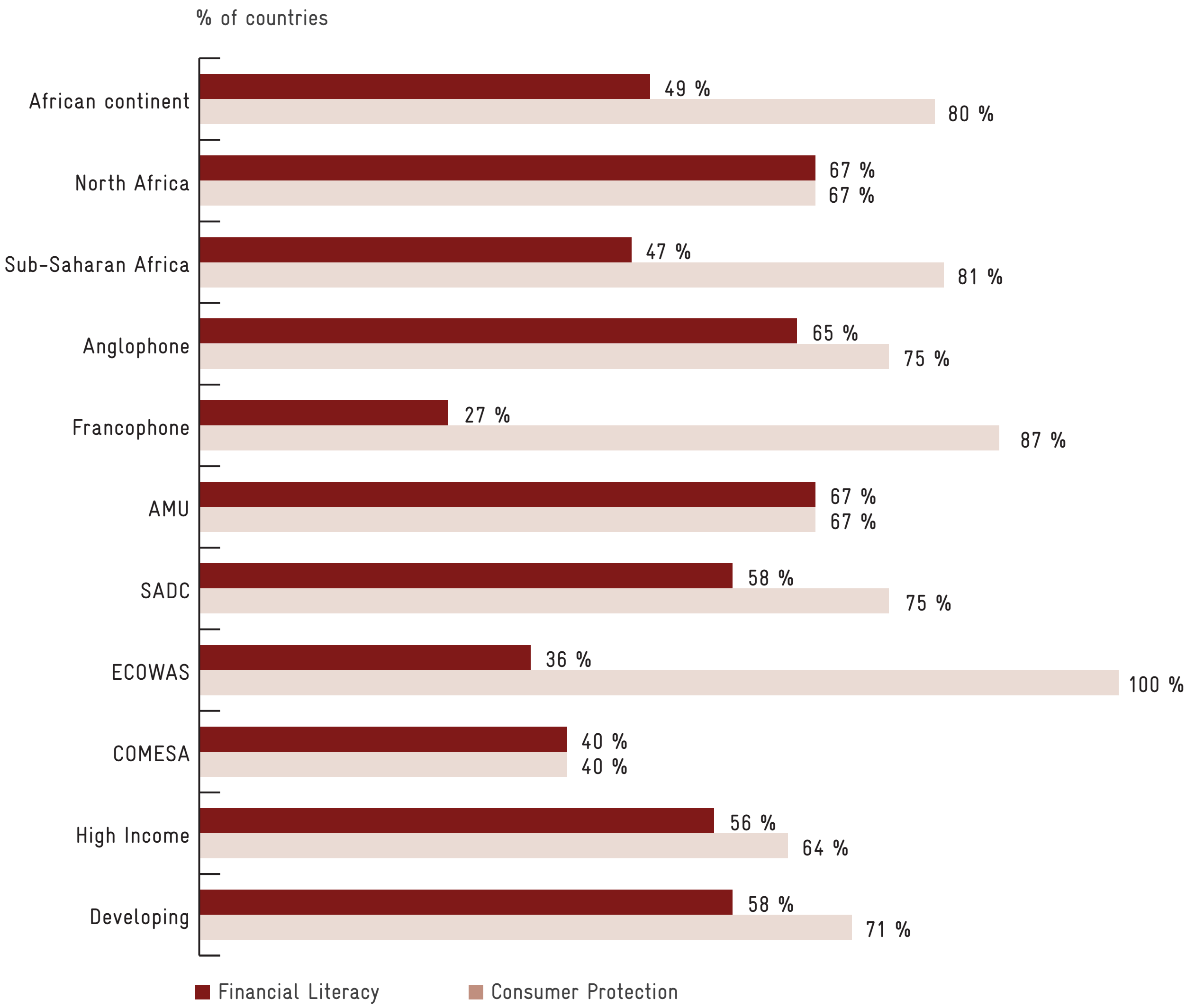
2. For their role in helping to reduce the risk of harm to new financial consumers – as may occur through missselling of products, excessive fees or prices, uncompetitive practices or outright frauds.

Many governments and financial sector regulators in Africa are recognizing this need for more and better quality financial access. This can be seen in their growing involvement in consumer protection and financial literacy, as seen in Graph 1 below[36]. Already a majority (80 %) of regulators from the African continent who reported to the Financial Access 2010 survey stated that they are responsible for consumer protection.

This does not mean African governments can't do more. Involvement in consumer protection still varies between sub-regions in Africa, with the greatest energy on the topic currently found in Eastern and Southern Africa, and in a few specific countries outside these areas such as in Ghana and Egypt. And all sub-regions can improve on their work in financial literacy, as only 49 % of African regulators are currently responsible for this topic, compared to 81 % for consumer protection. This lower level of activity on financial literacy, when compared with consumer protection, is likely a reflection of several issues including questions on the role of the financial regulator (vis-à-vis providers, civil society, schools, families, etc.), doubts about effectiveness of traditional interventions and the relative newness of this topic in the regulatory community.

[36] Data for Graph 1 are from Financial Access 2010, CGAP. Link: **http://www.cgap.org/gm/document-1.9.46570/FA_2010_Financial_Access_2010_Rev.pdf**

Which African regulators are responsible for consumer protection and financial literacy?



Notes: AMU = Arab Maghreb Union; SADC = Southern African Development Community;
ECOWAS = Economic Community of West African States; COMESA = Common Market for Eastern and Southern Africa.

Mauritania was categorized under Sub-Saharan Africa, not North Africa, in the Financial Access database. Mauritania was excluded from the economic groupings above since it is not a member of any of the four groupings. For purposes of this analysis, only the Eastern African countries were included as part of COMESA because the Southern African states that are members of COMESA are all members of SADC.

Countries whose regulators provided us data and are included in the analysis above: Algeria, Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Ethiopia, The Gambia, Ghana, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia, and Zimbabwe.

Source: Financial Access Database.

Regulators will always be limited as to how closely they can monitor the market, and so improving consumers' financial capabilities and knowledge of their rights is essential to making sure this heightened importance placed on consumer protection in policymakers' offices is carried out in practice by financial institutions across the continent. Recent research undertaken at CGAP, however, shows that low income consumers in Africa often have some difficulty understanding, and using, the consumer protections afforded to them. For example, people in group discussions in South Africa expressed difficulty in understanding interest rates and the costs they implied (reducing the effectiveness of disclosure) and did not know their rights regarding collection practices[37]. Regulators should therefore aim for clear, easily enforceable regulations that balance ensuring adequate consumer protection and fair treatment on the one hand, and continued access and innovation on the other. For their part, consumers and their advocates should demand official channels through which they can register complaints and report incidents, which the government should monitor to identify "hot spot" problems in the industry before they affect too many consumers.

Leading individual microfinance providers, national associations, international networks and investor associations can also take a leadership role in consumer protection, by developing provider and investor codes of conduct that incorporate emerging good practices in corporate social responsibility (CSR) and business ethics. One leading example of providers coming together to promote good business practices and consumer welfare is the SMART Campaign – a global initiative to incorporate strong client protections across the microfinance industry[38]. In October 2010, the Smart Campaign formalized a partnership with the Africa Microfinance Network (AFMIN), to extend information and training to its 22 country microfinance associations across Africa.

[37] See CGAP forthcoming publication, "Giving Poor Consumers a Voice: A CGAP Demand-Side Tool for Consumer Protection Diagnostics". Expected to be available on the CGAP website in early 2011.
[38] For more information on the SMART Campaign go to: **www.smartcampaign.org**

Financial Consumer Protection in Uganda

Louis Kasekende, Deputy Governor,
Bank of Uganda

The successful liberalisation of the Ugandan economy, overhaul of the legal framework through the Financial Institutions Act (2004) and Microfinance Deposit-Taking Institutions Act (2003), and strengthening of supervisory practices of financial institutions, have all contributed to improving the efficiency and outreach of the financial sector, and its robustness.

The robustness and the lack of exposure to foreign sub-prime markets have helped the country's financial sector weather the global financial and economic crisis relatively well. New entrants into the market have contributed to enhanced depth and competition within the sector. This has yielded a number of positive developments, including significant increase in branch networks and products, and improved domestic resource mobilisation.

While these are remarkable achievements, it is recognised that the Ugandan financial sector remains relatively shallow, both in overall access and in product diversity. The adult population with an account is a mere 23 %, implying that large sections of the society remain unbanked. The microfinance institutions, including Tier 4 institutions, have sought to bridge the gap, but they tend to be smaller, urban-based and less sophisticated than the commercial banks.

The Bank of Uganda has initiated a number of programmes to build on the successful reforms and make the financial sector more vibrant and serve the people and economy better. They include strengthening the supervisory framework, creating a credit reference bureau and improving the framework for deposit protection. There is also a Financial Markets Development Plan, whose main objective is to deepen and broaden financial markets further. Moreover, the Government of Uganda is spearheading the implementation of a legal framework for Tier 4 institutions with support from a range of other stakeholders, including the Bank of Uganda.

Within this context, the Bank of Uganda recognises that, beyond prudential regulatory and supervisory structure, financial literacy and financial consumer protection are complementary elements contributing to the evolution of a safe, sustainable and inclusive financial sector. To this end, the Bank of Uganda is at the forefront of developing a national framework for financial consumer protection and financial literacy in Uganda.

Financial Literacy

There is evidence that a lack of financial literacy on an individual level makes people more vulnerable. Financial literacy can empower people to make better use of their resources, plan for the future and have more control over their own lives. But beyond this, financially literate consumers can make better clients as they may be able to articulate their own needs, and understand their rights and responsibilities. They may also support the positive development of the financial sector as a whole, helping drive innovation and deter negative practices.

Consumer Protection

Within the sphere of consumer protection, some valuable initiatives have already been undertaken, such as the Uganda Bankers' Association Code of Good Banking Practice, which encourages fair treatment of customers, mechanisms to address customer complaints and fairness in disclosure of information and advertising. However, more specific and enforceable requirements for consumer protection are still needed.

The Bank of Uganda has identified a number of vital pillars for an effective consumer protection framework. First, the responsibility should be on financial service providers to ensure fair treatment of consumers. This means the provider should aim at acting within the consumer's best interest, for example, by providing suitable advice to clients and avoiding unfair, deceptive or aggressive practices. Requirements to prohibit reckless lending – a major cause of the global financial and economic crisis – protect consumers against unscrupulous or predatory lenders or providers.

Second, it is important to ensure transparency through clear, fair and timely provision of information to clients. Information on financial products and services, which is presented as clearly and comprehensibly as possible, including the disclosure of effective interest rates, enables consumers to be able to genuinely compare providers and identify which product or service best meets their individual needs. Transparency requirements also extend to how providers apply marketing and advertising approaches to promote their products and services to consumers.

A third pillar is accountability by the providers, for example, making available monthly statements of account available to the consumer that show what transpired during a stated period, including balance changes, payments, disbursements, and costs incurred. Furthermore, the provider should ensure that a consumer is notified well in advance before implementing any changes to the terms and conditions, fees or charges, discontinuation of services or relocation of premises of the financial services provider.

Finally, effective systems of consumer recourse are required for efforts to protect consumers to be successful. Ideally, most problems arising should be resolved directly between the financial services provider and the consumer. However, it is also evident that a higher level of recourse, for example, through an ombudsman or regulatory body, should be available for consumers when disputes cannot be resolved directly with the institutions.

If channelled effectively, complaints from consumers can serve as valuable inputs for the financial service providers to improve their products and services and increase their competitiveness. Monitoring trends in the type and frequency of complaints can help the industry identify how and where to perform better as well as signal to regulators the areas where their involvement and oversight may be needed.

The Way Forward

It is fair to say that Uganda is at an early stage in implementing these initiatives. Given its sheer volume and geographic scope, the microfinance sector – whose clients are commonly those who are most vulnerable to losses and fraud – faces particular challenges.

There are many excellent financial literacy initiatives on the ground in Uganda. The objective looking forward is to harness these in partnership with a broad range of stakeholders – from government to the private sector, civil society and the media – to develop a comprehensive, inclusive and holistic strategy for enhancing financial literacy in Uganda, which will exploit synergies, set priorities and maximise the impact of activities.

Developing a financial consumer protection framework that is both cost-effective and proportionate, as well as creating an effective and practical enforcement regime, will also require a great deal of consultation between regulators, financial service providers and consumer groups.

The Bank of Uganda recognises that successful implementation will require a significant commitment from it to drive these initiatives. It is also convinced that successful implementation of the programme will provide benefits to the financial sector, to the economy and to the Ugandan people as a whole.

This is why the Bank of Uganda is spearheading efforts on financial literacy and consumer protection. On the financial literacy front, the Bank of Uganda, together with stakeholders, is about to roll out a National Strategy for Financial Literacy. To this end the bank has developed draft Financial Consumer Protection Guidelines for the industry, which is being discussed by stakeholders.

Final Word

Financial literacy and consumer protection is the new frontier in the transformation of the financial sector in Uganda. The Bank of Uganda is at the forefront and is both shaping the strategic direction and ensuring that programmes which foster financial literacy and consumer protection are implemented.

Industry Self-Regulation

"One who protects consumers, protects oneself" – AMFIU's Experiences in Consumer Protection and Codes of Conduct

Asiimwe Zainab, Consumer Affairs Specialist, and David Baguma, Executive Director, AMFIU

Consumer protection in the microfinance industry encompasses all means necessary to safeguard the interests of consumers and empower them to know their rights and obligations and make wise, educated, informed decisions when demanding financial services. The Association of Microfinance Institutions in Uganda's (AMFIU's) experience in consumer protection dates back to 2004, when a survey was conducted by Financial Services Deepening in Uganda uncovered serious concerns around trust, obligations and rights.[39] There were glaring gaps, which would affect the sustainability of delivering financial services in Uganda and had to be addressed.[40]

To effect consumer protection in the microfinance industry, voluntary codes of practices are developed and enforced – for example the AMFIU's Consumer Codes of Practise for MFIs. Voluntary codes lay down acceptable standards of behaviour in a given industry. They are statements on how institutions relate and deal with customers. The main purpose is to inform and assure customers about the institutions' business aims and set out institutional procedures for dealing with customer issues. Codes of practice further aim to provide information about contacting the institution and other organisations involved with consumer issues in the industry, and informing customers about the institution's approach to working practices.

Why is consumer protection important for the microfinance sector? First, while free competition can secure benefits for customers, it does not necessarily lead to adopting sound practices. Many MFIs turn to aggressive and unprofessional marketing, and this may harm illiterate or poorly informed costumers. Among other things, these practices can lead to overindebtedness of the productive poor, exacerbating their already unfavourable living conditions. Second, commercialisation of microfinance has created greater need for consumer awareness and education as a way of protecting them. Vulnerable borrowers are exposed to potentially abusive lenders and, as a result, make poor borrowing decisions. Third, there is growing customer dissatisfaction about the lack of transparency in the industry. At the same time, policymakers and some MFIs are led by strategic reasons to promote harmony and transparency in the industry. Of course, moral arguments, too, focus on the imbalance of power between lenders and borrowers.

Promoting transparency within the microfinance industry is increasingly ensuring compliance with standards and client orientation of MFIs. This includes the following: MFIs should display their total costs (total disclosure requirement), an all-encompassing strategy of consumer financial education should be put in place, a mechanism for handling complaints and disputes should be established, and an industry consumer code of practice should be applied and enforced. Although this may seem to be a long and arduous process, the AMFIU has succeeded in ably implementing all of the above with its member MFIs and consumers.

[39] A project of DFID in conjunction with the AMFIU, see also **http://www.fsdu.or.ug**

[40] *Consumer Protection/Conduct of Business Regulation: AMFIU's experiences,* presentation by David T. Baguma and Zainab Asiimwe (AMFIU), 8 September 2009. See also **http://www.amfiu.org.ug**

Key Provisions of AMFIU's CCP
+ Information on loans, terms and conditions
+ Information on lending
+ Protection and confidentiality issues
+ Instructions for operating client accounts
+ Complaint procedures (both internal and external)
+ Information on suppliers of other financial goods and services

AMFIU's Consumer Code of Practice (CCP) sets out standards of sound practices for the microfinance industry. The CCP also provides the framework for a customer care policy for the MFIs. It provides incentives (peer group, marketing tool) for implementation and describes implementation measures. And, it provides institutional capacity building. In cases when MFIs do not adhere to the CCP, there is a set of measures which are taken to achieve compliance. These range from dialogue with the non-compliant institutions, denial of rewards, blacklisting up to sanctions such as publishing details of deregistered members in media, and denial of the benefits that accrue as a member of the network.

During the development process of the CCP, AMFIU carried out numerous consultations at various levels. Among others, it conducted literature reviews on existing codes, consulted management and the Board of Directors of a number of MFIs. In order to take into account member inputs, regional AMFIU workshops were organised. Later, the draft version of CCP was shared with stakeholders and the Consumer Affairs Sub-committee of the Micro Finance Forum to obtain their input. The process of implementing the CCP involved printing posters and detailed booklets on the provisions and sanctions, plus a list of AMFIU's members that subscribed to the code. Dissemination was done both to the public (consumers) and financial institutions, as well as publicity through radio, TV and brochures. In addition, workshops were organised where a road map for implementing the development plan was presented to key stakeholders and the public.

In implementing the CCP, AMFIU faced a number of challenges. These included the capacity of MFIs to handle complaints, creating synergies for arbitration beyond AMFIU's capacities. An outstanding issue has been the long-term funding. And, there has been some difficulty in drawing a line between customer care (marketing) and complaints-handling (customer's rights and responsibilities). Even though a lot has been achieved in the area of developing and implementing the CCP for MFIs, there are still some challenges. Among them, the most relevant are the different levels of development of AMFIU's members and limited capacity of the MFIs to implement the CCP.

Overall, AMFIU has learnt many lessons from this exercise and has drawn some practical recommendations. First, stakeholders' involvement is crucial. Second, it is important to use a proper communication strategy for the various groups and to use appropriate communication channels. AMFIU has learned that information provided must be well packaged and consistent. There also has to be a reward system to recognise the achievements of compliant MFIs. Last, there is a need for institutional support to MFIs for adherence (especially vital for tier 4).

In conclusion, codes of business regulation can promote consumer protection and enhance transparency in the microfinance industry. Consumer protection should lead to a win-win situation for both consumers and MFIs. A truly consumer-oriented approach may indeed be a long-term survival strategy for microfinance providers in a competitive market. Clients are the reason any financial institutions exist, and they generate and multiply money which in turn pays the staff of the institutions and builds the institution. It follows therefore that institutions that protects clients in actual sense are protecting themselves.

Financial Capability and Education

Improving People's Financial Capability – Working in Partnership

Shaun Mundy, Consultant

No single organisation can, on its own, improve the financial capability of a population. It is important instead for those organisations – from both the public and private sectors – which have an interest in improving financial capability to work together. Working in partnership encourages those who are involved to share their knowledge and experience and to learn from each other.

Stakeholders and potential partners are more likely to become actively involved if they feel ownership of, and are active participants in, the development and implementation of financial capability programme and – where relevant – a national strategy on financial capability. It is therefore important to seek views and input from, and to inform, a broad range of stakeholders and actual or potential partners, for example through: conferences and workshops, newsletters and face-to-face meetings. If consultation is to be effective, it is bound to take some time – it is important not to rush this.

In some countries (for example, UK, US, Kenya and Tanzania), the organisation which is leading the work on financial capability is supported by a steering group of senior stakeholders and partners. In Uganda, a group of stakeholders held a week-long workshop in 2004 to develop a consumer financial education strategy. Following the workshop, they launched a pilot project in two Uganda districts and then commissioned an evaluation which found that the key objectives of the campaign had been met. In the light of this, the stakeholders agreed to carry out a nationwide campaign.

Stakeholders and partners have a range of competing priorities. So, it is important to remind them, from time to time, about the importance of financial capability, how it can help them achieve their goals, and how they can contribute.

Potential partners comprise all those organisations which stand to benefit from improved financial capability. These include:

+ Financial services firms, MFIs and financial services trade associations – financially capable people will be more willing to buy financial products and services and will have a greater understanding of their own responsibilities;
+ The government – improving financial capability can promote financial inclusion, increase savings levels, stimulate the economy and help take the poor out of poverty;
+ Central banks and financial services regulators – financial capability initiatives and sound regulation, together with responsible business practices, are complementary rather than alternatives; and
+ NGOs, donors, employers, trades unions, educational bodies, the media, rural outreach bodies, cellphone companies, utility companies and others – improved financial capability has been linked not only to financial inclusion and poverty reduction, but also to crime reduction, food security, nutrition and health.

Partners can contribute through:

+ Helping to determine priorities and key messages;
+ Providing funding;
+ Developing materials;

+ Making available their expertise and experience – for example, on how best to reach particular groups;
+ Undertaking projects; and
+ Securing further partners and support.

The financial services industry can play an important role, as long as it is not, in reality, marketing, and as long as the target audience is willing to trust messages from financial services firms. For example, Visa has promoted financial capability messages through industrial theatre, including in South Africa.

Financial education, information and advice are more likely to be effective if they are delivered by organisations or individuals which the recipients know and trust. For example:

+ A number of MFIs run programmes to improve the financial capability of their clients and potential clients (and, sometimes, others in the community);
+ In Kenya, Equity Bank trains university students, who spend two weeks of their vacations training people in their villages;
+ Also in Kenya, Equity Bank trains local people to equip them to train (for a fee) people in their community;
+ In South Africa, the NCR runs capacity-building workshops for consumer intermediaries (for example, shop stewards, advice centres run by NGOs, church leaders and traditional chiefs);
+ In South Africa, Operation Hope trains volunteers to deliver financial education in local schools;
+ In Kenya, Mediae – which is represented on the Financial Education Taskforce – produces a popular soap opera, Makutano Junction, which includes financial educational material;
+ In Uganda, financial education programmes on rural radio – including call-in shows, during which a local expert responds to callers' questions – reach large numbers of rural people, particularly since (taken together) they use a range of local languages;
+ In Uganda, AMFIU has used music, dance and drama to reinforce other means of communication;
+ In South Africa, Mindset has run a small pilot project with cellphone company Nokia in which educational material, including some financial education material, was loaded onto young people's cellphones;
+ In South Africa, colourful comic books prompted by pyramid schemes have been distributed by (among others) trade unions and schools.

Even intermediaries who are capable of managing their own money well need training and support to give them the knowledge and skills to deliver personal finance education and guidance to others. Training is especially important where the intermediaries lack confidence, skill or knowledge in managing their own personal finances. The training of trainers is a cost-effective strategy because those trainers can go on to train many others. School teachers are one priority group, since they can potentially deliver financial education not only in the classroom, but also in their wider communities.

In conclusion, working in partnership to increase people's financial capability can help to improve the lives of them and their families – both now and in the future.

Financial Literacy in Africa – A Cross-Country Analysis of FinScope Data

Maya Makanjee, Chief Executive Officer,
FinMark Trust

FinScope is a comprehensive demand-side survey of consumer interaction with financial markets. It provides information about financial behaviour, attitudes, interests, financial management, usage of both formal and informal financial products, as well as quality of life of adults in a particular country. FinScope surveys are carried out by in-country research houses under the guidance and supervision of FinMark Trust, and have been implemented in 14 countries in Africa, as well as in Pakistan.[41]

FinMark Trust has conducted a cross-country analysis of the financial literacy information contained in 11 country surveys.[42] Despite the clear differences in the make-up, penetration and usage of the financial sector in the countries surveyed, similar differences in the levels of financial literacy and capability are not evident from the data of the FinScope surveys.[43] Although this is not conclusive in any way, it does suggest that there is not a strict relationship between financial product usage and levels of financial capability.

Financial literacy or capability is a broad concept incorporating various dimensions. The analysis of the FinScope data was performed by grouping relevant questions under five dimensions (see box).[44]

Dimension	Description
Keeping track	Manage money competently
Making ends meet	Live within means; budgeting; use credit if you can afford it
Planning ahead	Provide for unexpected events; provide for expected events; long term (e.g. retirement); short to medium term
Choosing and using financial products	Aware of available products; shop around for best products; select best option
Accessing and using information and advice	Make sure you are well informed; find advice if you need it; know where to turn for protection

Budgeting is one indication of money management, financial control, and discipline. In most countries, a majority of adults say that they budget, although there is clearly variation. For example, in Botswana, 71 % of adults claim to budget, while in Namibia, only 41 % of adults claim to budget. However, although most adults claim to have a budget, sticking to the budget and working within its confines is a challenge. Furthermore, the issue of understanding terminology may be relevant. In Rwanda, only 24 % claim to know what the term “budget” means, yet 49 % claim to work to a budget. Moreover, roughly a third of the adults in five countries examined felt that they are not in control of their finances.[45] Interestingly, the percentage of adults who feel they are not in control of their finances is higher for those that are banked than for the general population, possibly because those that are banked have greater access to other financial products, such as credit.

[41] FinMark Trust is a non-profit organisation established in 2002. See **http://www.finmarktrust.org.za/**
[42] The bulk of the analysis focused on South Africa, Namibia, Botswana, Mozambique, Malawi, Zambia, Kenya, Uganda and Tanzania, as there was a greater degree of consistency in the questions asked in these surveys
[43] The upper-middle income countries have relatively small informal financial markets. In the lower-middle income and low-income countries, the informal financial sector has substantially deeper penetration, with relatively small penetration of the formal banking system
[44] The five dimensions used in our analysis are similar to those used elsewhere, including the OECD. Note, FinScope is primarily a survey of perceptions, and does not test actual knowledge or dimensions of financial literacy, but rather relies on reported behaviour, attitudes and awareness levels
[45] The five countries include both middle-income (South Africa and Namibia) and low-income countries (Kenya, Zambia and Tanzania) with different levels of formal financial penetration

In terms of planning, a large percentage of adults in most countries indicated that they were concerned that they would not have sufficient money in their old age. In addition, many adults perceived themselves to be at risk of traditionally insurable events. Yet in many of these countries, there is limited use of long-term savings and risk products. For example, only 4 % of the adult population in Zambia, 3 % in Malawi and Tanzania, 2 % in Rwanda and 1 % in Kenya have retirement products. Medical insurance has a similar incidence in all the countries, with the exception of Rwanda, where there is almost universal medical insurance coverage. Funeral or life insurance is pronounced only in Botswana and Namibia, and almost negligible in the other countries.

Although the data suggests that there is little forward planning, there may be other ways in which people plan. For example, it may be that owning a house is important in the context where there is a small state pension or where family members provide support. A key question is therefore what the provision for old age is and risks people take in these countries.

Financial capability involves testing the consumer's awareness of products that are available and the extent to which consumers look for alternative options and choose the best option. The data analysis suggests that familiarity with terminology and certain products is, in some cases, very limited. However, this is a more complex problem, as people may understand a concept, but not the terminology. Furthermore, it is easy for consumers to disguise the truth. With respect to shopping around for prices and products, data suggests that price is often not the main consideration when selecting a product. For example, while in Botswana, the charges or fees are a major factor in selecting a bank account, in Zambia and Malawi, only 28 % and 33 % of adults respectively consider it a factor in selecting a bank account. In these countries, convenient locations and minimum balance requirements are more important considerations.

The fifth dimension tests the extent to which people are informed about financial matters and explores how they seek and apply information and advice. In many cases, people rely on family and friends, and as a result, consumers may not make the best-informed decisions. However, in many of the countries surveyed, if not all, there are insufficient sources of reliable, independent advice for consumers. Finally, the data suggests that people may be over-confident about their own knowledge and may be distrustful of advice. In Uganda, Rwanda, Zambia, Namibia and Botswana, the majority of adults felt that they could rely on their own financial knowledge more than on the knowledge of others, although in some countries people did not rate their own knowledge very highly. For example, in Rwanda, only 15 % of adults believed that they knew quite a bit about financial issues, although 58 % would rather rely on their own knowledge than obtain information or advice from other sources. FinMark Trust suggests that more research should be done on this particular issue to unpack people's attitudes towards financial information and advice.

FinScope can serve as a useful baseline in those countries that cannot afford a comprehensive financial literacy survey, provided that a consistent set of questions are asked in the surveys. This will allow the data to be more comparable. FinMark Trust is currently exploring the development of such a core set of questions, which would also be used to construct a financial literacy index. Ideally, the index would allow for cross-country comparison. FinMark Trust suggests the establishment of an international reference group to assist with developing such a set of questions.

Influencing Positive Financial Behaviours – The Social Marketing Solution

Nancy Lee, President Social Marketing Services, Inc.

Social marketing is the use of traditional marketing principles and techniques to influence a target audience behavior that will benefit society, as well as the individual.[46] Since the early 1970s, social marketing, as a discipline, has made enormous strides and had a profound impact on social issues in the area of public health, safety, environmental protection and community involvement. Fundamental principles at the core of this practice have been used to help reduce tobacco use, decrease infant mortality, stop the spread of HIV/AIDS, help eradicate guinea worm disease, increase the use of insecticide-treated mosquito nets, make wearing bike helmets a social norm, decrease littering, increase recycling, register voters, and persuade pet owners to license their pets and "scoop their poop".

Influencing positive financial behaviors is the natural next frontier for social marketers to "get serious about", as there are clear behaviors that, once adopted by target populations, will improve the quality of life for individuals as well as society. Behaviors for focus include those related to establishing a bank account, increasing savings, using credit wisely, avoiding overindebtedness, applying for microfinance loans, adopting new technologies, reducing chances of fraud, choosing the right insurance, reporting abuse, and shopping around and comparing offers.

Seven best practices essential for success when applying social marketing principles and techniques to influence desired financial behaviors include:

1. **A clear purpose and focus is agreed on**
   For finance, efforts might focus on establishing bank accounts, increasing savings, using credit wisely, avoiding overindebtedness, applying for microfinance loans, adopting new technologies, protecting from fraud, choosing the right insurance, reporting abuse, and shopping around and comparing.

2. **The target audience is identified and described**
   For finance, examples of unique segments that have been chosen include bank clients with a cheque account but no savings, farmers in self-help groups in Kenya, girls 10-18 in Mongolia, the homeless and unbanked in San Francisco, 10 000 households on tea estates in India, parents with children under 18 in Kenya, and at-risk youth in Hawaii.

3. **A single, simple, doable behavior is selected**
   For finance, examples of behaviors that might be promoted include completing a savings commitment, keeping a business logbook, opening a savings account for a child, applying for a microloan, carefully reading insurance terms, and claiming earned tax credits.

4. **Audience barriers to adopting the behavior are understood**
   Barriers are reasons your target audience does not want, might not want, or doesn't think they can adopt the behavior. They may be related to a variety of factors, including internal ones such as beliefs and abilities related to the behavior. There are also likely to be external factors, including restraints created by existing infrastructures or cultural influences. They may be real or perceived.

[46] Philip Kotler and Nancy R. Lee, *Social Marketing: Influencing Behaviors for Good* (SAGE 2008), p.7.

In either case, they are always from the target market's perspective and most often something that needs to be addressed.

5. **All 4P tools in the marketer's toolbox are considered**
   The marketer's toolbox contains the four traditional Ps: Product, Price, Place, and Promotion. My experience is that you will need all of them to create and deliver the value your target market expects in exchange for a new behavior. Using all 4Ps, however, doesn't happen often, as many practitioners think of marketing as promotion, not recognising, instead, that it is a process that usually ends up with a promotion.

6. **Partnerships are formed**
   Lasting success in influencing positive public behaviors takes all three sectors – government agencies, NGOs and private enterprise – working together in an integrated way.

7. **Evaluation is conducted and reported**
   Evaluation measures are likely to fall into one or more of three categories: outputs, outcomes and impacts. Output measures, sometimes referred to as process measures, are the easiest and most straightforward and include reporting on distribution of materials and the number of people in the target audience that might have been exposed to your efforts. Measuring outcomes demands more rigour and assesses customer response to programme outputs. Of most significance for social marketers, this includes measuring actual levels of changes in desired behaviors. The third, and most rigorous assessment, measures the impact of these changes in levels of behaviors (e.g. number of additional savings accounts opened) have had on the social issue your plan is addressing (e.g. being able to send a child to school as a result of savings).

Applying the principles, learning from the experiences of WIZZIT

WIZZIT is a cellphone-based banking facility targeting the estimated 13-16 million underbanked South Africans. It has no branches of its own. Its CEO, Brian Richardson, says the challenge in the developing world for the unbanked is not getting them to the bank. The challenge is getting the bank to them.

Unlike the traditional banks' offering for this segment of the market (a savings account with an ATM card), WIZZIT provides full transactional capability. Customers use their mobile phones to make person-to-person payments, transfer money, purchase pre-paid electricity vouchers, and buy airtime for a pre-paid mobile phone (Product). Customers also receive a Maestro (MasterCard)-branded debit card that enables them to make purchases, get cash-back at retail outlets and withdraw money at any South-African or Maestro-labeled ATM anywhere in the world (Place). There is no minimum balance requirement or fixed monthly fees (Price). Rather, it uses a pay-as-you-go pricing model. Average expenditure in fees are typically about 20 % less for WIZZIT customers compared with traditional banking customers using similar services.[47]

Access to WIZZIT is user-friendly. All that is needed is a cellphone. To open an account, a WIZZIT agent goes to an applicant's home or workplace, or sets up a "booth" in a marketplace (Place). This account-opening process is promoted and handled by one of the 3 000 WIZZkids, often from low-income communities which had previously been unemployed (Promotion). T-shirts worn by the WIZZkids tout the slogan "my bank in my pocket". WIZZIT was launched in 2005, and by 2009 had over 300 000 customers and was gaining about 5 000 new customers a month.

[47] Global Technology Forum Economist Intelligence Unit
http://www.ebusinessforum.com/index.asp?layout=rich_story&doc_id=11066&title=South+Africa%3A+From+mattress+to+mobile+banking&categoryid=31&channelid=4

Using Mass Communication for Social Change

David Campbell, Mediae

Development communication has its origins in post-war international aid programmes to countries in Latin America, Asia and Africa struggling with poverty, illiteracy, poor health and a lack of economic, political and social infrastructure. Confronted by the many challenges and opportunities, different development institutions developed theories and practises of development communication.[48] In addition, the growing interest for development communication is reflected in the work of the World Bank by establishing the Development Communication Department.[49]

Development communication commonly refers to the application of communication strategies and principles in the developing world. Yet, development communication involves more that the traditional information dissemination, education and awareness arising. The World Bank states "development communication involves creating mechanisms to broaden public access to information on reforms; strengthening clients' ability to listen to their constituencies and negotiate with stakeholders; empowering grassroots organizations to achieve a more participatory process; and undertaking communications activities that are grounded in public opinion research". Strategic development communication is intended to generate fundamental behavioural changes among individuals and within society, by influencing the long-established practices and behaviours of people.

Today, the use of communication for development is a long-standing and vital way of bringing about positive social change in society. From educating people about sustainable or more profitable farming methods, to providing information on governance or how to prevent and treat diseases, development communication has been proven as a successful way of encouraging behaviour change and is perceived as a powerful tool for improving the chances of success of development projects.

At the same time, the potential for using mass media for social change has still not been recognised by many. According to Journalists for Human Rights, less than 0.5 % of all international development efforts are media related. It is suggested that this could be because media is considered a new and specialist or niche area, because it is difficult to conceptualise the complex, multiple and overlapping influences that media has on societies or because it has not traditionally fallen within the mandate of many development initiatives.[50] One example showing the potential of mass media for development communication is edutainment.

Edutainment is defined as the "process of purposely designing and implementing a media message to both entertain and educate, in order to increase audience members' knowledge about an issue, create favourable attitudes, and change overt behaviour of individuals and communities".[51] Multiple channels and forms of mass communication can be used for edutainment, such as radio, television, film, (street) theatre, internet and comic books. Accordingly, edutainment is effective in communicating information because such programming often attracts large, regular audiences and appeals to those who might not be reached through other, more formal, communication campaigns.

[48] Different schools of development communication: the Bretton Woods, Latin American, Indian, Los Baños, African, and the Participatory school
[49] See also **http://www.worldbank.org**
[50] See also **http://www.jhr.ca**
[51] *In A Theoretical Agenda for Entertainment-Education,* by A. Singhal & E. Rogers, 2002;
Social Marketing: U*sing Edutainment to Change Behaviours and Attitudes,* presentation by Dilsey Davis (Café Con Leche Media), 8 September 2009

One of the starting points of edutainment is that populations around the world are widely exposed to entertainment media content. The heavy consumption of media messages suggests that the media have an unmatched capacity to tell people how to dress, talk and think. The pervasiveness of the media provides numerous opportunities to communicate messages that can help people in solving a myriad of problems that they confront. Another central premise is that education does not necessarily need to be dull and can incorporate entertainment formats to generate pro-social attitudes and behaviour. This could solve the problem that audiences find social messages uninteresting and prefer to consume entertainment media. What characterises the latter is the intention of the messages (to divert rather than to educate) and to capture audiences' interest.

Multi-level interventions of edutainment programming allow for an influence at the level of the individual and at the community or societal level. Research to find out what audiences want to learn more about can be converted into entertaining treatments, like television or radio drama, discussion programmes and print materials, depending on the audience, the communication objective and the issue being conveyed. By scripting accurate and relevant scenarios, the characters in fictional dramas can illustrate alternative behaviours and the benefits of choosing particular behaviours that can serve as an example for audiences. Knowledge and behaviour can be affected and changes can be measured among individuals who make up the audience. Alternatively, the purpose of communication strategies is not simply to communicate messages to a collection of individuals, but rather to create a suitable environment in which social change can take place. At the societal level, interventions act as a tool for promoting dialogue, participation, efficacy and advocacy. Drama is ideally suited to interventions at this level for various reasons. Using popular characters to play out the complexities and dilemmas in contrasting attitudes and beliefs illustrates alternative viewpoints which audiences can then evaluate for themselves. This encourages audiences to discuss the issues within the context of people's lives rather than just as abstract information.

Learning from the experiences of Mediae

Mediae has more than 10 years experience of developing and delivering mass media for development and education in East Africa.[52] The company aims to be a conduit between information providers and mass audiences, providing information providers with feedback from the audience on issues they find confusing or want to hear more about. By involving their prospective audiences from the start of the communication process, Mediae finds out what people want to hear about and how they want to hear it. Genuine dialogue takes place with audiences throughout the process, by SMS (text message), phone-ins, email and by letter. Essentially, Mediae recognises the value of developing and maintaining communication pipelines or channels with large numbers of people who often do not have access to information that can enhance their livelihoods. It is believed that information can be delivered more effectively if produced in an entertaining format. People enjoy it, come back for more and are quick to extract the information which is being communicated. For example, Makutano Junction, a Kenyan TV soap, has encouraged audiences to join school committees, produce their own community media, engage with political processes, and tolerate people of varying sexual orientation.

[52] *Soap works! Educate and Entertain and you Meet Audiences Needs,* presentation by David Campbell (Mediae), 8 September 2009. See also **http://www.mediae.org** and **http://www.makutanojunction.org.uk**

Financial Education in Schools

Shaun Mundy, Consultant

As the range and complexity of financial products and services continues to expand, being able to manage your money well has become an increasingly important life skill throughout Africa. People often form their attitudes to money management early in life, so it makes sense to provide schoolchildren with financial education, to help them develop responsible attitudes to managing money. Including personal financial education in schools' curriculums can give schoolchildren the knowledge, skills and confidence to become financially capable as they move into adulthood.

In some communities, schoolchildren – or children still of school age – are already taking financial decisions (for example, saving for their education or to start a business). Financial education in schools can help them make sound and well-informed decisions. Moreover, young people who have received financial education can help their parents manage the family finances. Financial education for schoolchildren can potentially be coupled with programmes aimed at their parents, in order to increase the prospects of children being able to observe examples of financially capable behaviours by those they look up to.

For those working to improve the financial capability of people in their country, it can therefore be useful to work with the Ministry of Education, the curriculum authority and other educational bodies with the aim of embedding financial education in schools and therefore planting the seeds for long-term change.

There are a number of challenges to achieving this. For example, school curriculums are often already crowded; teachers (in common with other sections of the population) may lack the confidence and competence to provide high quality financial education; and, if it is taught badly, students are likely to find financial education dull and uninspiring. But the good news is that each of these challenges can be overcome.

While, in most countries, there is unlikely to be room in the curriculum for personal financial education to be included as a stand-alone subject, financial education can be integrated into a range of other subjects: for example, arithmetic and mathematics, citizenship, economics, business studies and social studies. Incorporating financial education within existing subjects can help students to view these subjects as relevant to their present and future lives. Providing financial education in schools therefore does not require an expansion of the curriculum or the dropping of any existing subjects. However, even when financial education is incorporated into other subjects, it is important to develop an overall financial education curriculum which is planned and coherent. Moreover, regardless of whether financial education is a stand-alone subject or is instead incorporated within other subjects, it should ideally be made compulsory for schools to provide financial education, rather than this being seen as an optional extra.

Teachers can be helped to become confident and competent in delivering financial education through training (both in the course of initial teacher training and as part of continuous professional development) and through effective resources being made available for use in the classroom. Teacher training should not only cover the content of effective financial education, but should also include techniques for making this relevant and engaging for children.

Providing training and support to teachers has the added benefit of developing the financial capability of people who are often community leaders and skilled communicators, who could potentially take these messages not only to the classroom, but also into their wider communities.

There is no need to draw up entirely new resources: a wealth of high-quality materials already exists, which (subject to securing any necessary permission) can be drawn on in developing resources suitable for any particular country. These include resources listed on the UK's Personal Finance Education Group (pfeg) website[53]; on the US's Jump$tart website[54]; and on Australia's Understanding Money website[55]. In addition, there are a number of curriculums which could potentially be drawn on, including the Citi financial education curriculum[56]; and the Aflatoun curriculum[57].

Financial education can begin with children as young as kindergarten – there are examples of resources for children in every age group – and should ideally continue throughout the student's schooling.

Volunteers, for example from financial services firms, can play a useful role in helping to teach personal finance in the classroom. However, it is best for teachers also to be present – because they understand their pupils' abilities, how best to make topics engaging for them and how to deliver learning outcomes. The active involvement of teachers can also help to ensure that financial education continues to be delivered if outside experts are no longer available to come to the school.

The goal of financial education is that people manage their and their family's money well throughout their lives. It is important to focus on developing responsible attitudes and financially capable behaviours, as well as on helping students to acquire knowledge and skills. It is not sufficient, for example, for people to know how to save: they also need to understand how and when saving can benefit them. Financial education should also focus on concepts – for example, that banks are looking to make a profit (so that the money they lend you will be at higher interest rate than they will pay on your savings).

Financial education should be provided in ways which students will find engaging and, where possible, fun. Among the characteristics of effective financial education programmes are that they are relevant to the student (either currently or in the foreseeable future); interactive and involve students in solving problems – rather than just being lectured to; tailored to the abilities of the students in question; and, of course, that they are well taught.

Conceptualising and Implementing a Financial Wellness Programme

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The World Health Organisation defines health as the state of complete physical, mental and social well-being and not merely the absence of disease or infirmity. Each state of well-being is itself informed by a complex set of environmental and psychological stress factors which influence an individual's behaviour and productivity in the workplace. Research shows that personal financial problems are a significant stress factor, contributing to ill health, absenteeism, poor productivity and low morale.[58]

Personal financial problems can affect productivity both directly and indirectly. It affects the physical and emotional health of individuals, family and marital relationships and can influence the micro-level of the workplace and the macro-level in communities and social structures.

[53] See also **http://www.pfeg.org/**
[54] See also **http://www.jumpstart.org/**
[55] See also **http://www.understandingmoney.gov.au/**
[56] Available at **http://financialeducation.citi.com/citi/financialeducation/curriculum/index.htm**
[57] Available at **http://www.aflatoun.org/?what-we-do**
[58] *The negative impact of employee poor personal financial behaviours on employees,* by E.T. Garman, I.E. Leech & J.E. Grable, 1996

At a macro-level, the effect of personal financial problems has far-reaching consequences, especially in combination with inadequate preparations for retirement, the lack of saving reserves to cater for crisis situations and the acute financial demand of caring for extended family structures.

At the micro-level, personal financial problems of employees manifest themselves in the costs of medical stress-related conditions, injuries on duty, absenteeism, poor quality, low morale and the administration costs of the pay office receiving, processing and managing garnishee orders. In addition, under the current economic climate with soaring interest rates and increasing costs of fuel and food, the demand for increased salaries results in increased costs related to protracted wage negotiations. Debt and personal financial problems can force employees into working long hours and relying on overtime payments to meet basic needs. Also, there is a reluctance to go on disability pension when employees are too ill to work or demand to return to work prematurely from disability pension resulting in a further compromise of the health status of the employee.

In 2001, a study commissioned in the automotive industry in South Africa found that none or limited financial counselling or support services were available to employees working at any of the companies within the industry. Yet, interviews conducted with social workers working in the industry indicated that 70 % of the cases with alcoholism, drug, mental problems, psychological problems and other chronic diseases were debt induced or related to personal financial problems.[59] In 2005, a Financial Wellness Programme (FWP) was implemented based on the collective wisdom of employees of a large automotive manufacturer located in Gauteng (the economic hub of Africa), local and international academic institutions, and GTZ.[60]

First, a participatory approach in the design and development of the FWP created a greater awareness and a willingness to be involved. A need for the intervention was established by asking employees: "what are the main factors that cause stress"? Focus group discussions with cross-functional teams were conducted at different levels in the organisation, and organised labour and union members were an integral part of these group discussions. Second, a number of baseline indicators of measurement were used as monitoring and evaluation tools to track the impact of the programme. These indicators included: the number of creditors, the number of garnishee orders, the number of judgments, the request for loans, the number of employees adequately prepared for retirement, the health profile and the reasons behind stress related conditions.

[59] See also **http://financialwellnesstoolkit.gtzccps.org/pdf/mongi_mali_report.pdf**
[60] *BMW-GTZ Partnership on Employee Financial Wellness*, presentation by Natalie Mayet (BMW SA), 8 September 2009. See also **http://financialwellnesstoolkit.gtzccps.org/**

Key principles in ensuring the success of the FWP were identified and implemented (see box). For example, a conscious decision was made not to involve financial houses, as many of them promoted specific products that in many ways exacerbated the financial problem. A behavioural science approach was adopted as an intervention, because it was recognised that education alone was not sufficient to change behaviour. Life skills became part of the programme, and included the capacity to negotiate a reduction of debt and the ability to resolve conflict around issues of finance with family members or debtors. Accordingly, social workers were identified as the ideal service provider to render the FWP services as they were best suited to deal with the complex set of social circumstances that often accompany financial ill health. Furthermore, the programme was bundled within the Occupational Health Service as part of an Employee Assistance Service offering in order to avoid any issues of stigma or discrimination associated with frequent attendance at the service provider.

Before commencing the FWP it was essential that referral resources were established that included a network of legal experts, psychologists, psychiatrists, medical specialists and certified financial advisors. Having a Financial Wellness counsellor on site made the services accessible and convenient and reduced the dropout rate. For mass intervention a Financial Wellness Industrial Theatre was used, as a part of a robust communication strategy, which advised where help was available for those in need of financial support.

Key Principles of the Financial Wellness Programme
+ Ensure confidentiality
+ Targeted to meet the needs of the individual
+ Involve the employee's family
+ Ensure long-term and sustainable intervention
+ Do not involve financial houses
+ nclude a behavioural science approach
+ Avoid any issues of stigma or discrimination

Free credit reports were provided by a service provider on an annual basis and assisted employees in determining their credit track record and current credit status. They also served as a mirror to indicate to employees the need for self-referral to the Financial Wellness counsellor. Verified data demonstrated that the intervention resulted in a decrease in the number of creditors by 50 %; the size of debt (excluding home loans) saw a commensurate 57 % reduction between intake in 2006 and last recorded statistics in 2008. The number of judgments against an individual is another powerful indicator of their financial wellness and ability to manage debt, and the baseline group had a 32 % drop in the number of judgments against them. Overall, satisfaction of life indices was improved for the participants and there was an overwhelming sense of being "more in control".

In conclusion, a Financial Wellness Programme should be part of an integrated comprehensive health offering to employees in any workforce. The programme needs to operate on a foundation of trust, should impart basic knowledge, and should constantly promote sustained behavioural change aimed at social and economic upliftment.

Mapping of Financial Capability and Consumer Protection in Africa

Consumer Protection Regulation

Country	Consumer Protection Regulation		
	Law or Bill	Disclosure Requirements	Consumer Protection Agencies
Angola	Law in place		
Benin		v	
Botswana		v	
Burkina Faso		v	
Burundi			v
Cameroon		v	
Cape Verde	Law in place		v
Central African Republic		v	
Chad		v	v
Côte d'Ivoire		v	
Congo, DR		v	
Equatorial Guinea		v	
Ethiopia			v
Gabon		v	
Gambia		v	
Ghana	Ready or planned		v
Guinea-Bissau		v	
Kenya	Ready or planned		v
Liberia		v	
Madeira			
Malawi	Law in place		v
Mali		v	v

Country	Consumer Protection Regulation		
	Law or Bill	Disclosure Requirements	Consumer Protection Agencies
Mauritania		v	
Mauritius	Law in place		
Morocco			v
Mozambique	Law in place	v	
Namibia		v	
Niger		v	
Nigeria	Law in place		
Congo, Republic of the		v	
Senegal	Ready or planned	v	v
Seychelles			v
South Africa	Law in place		
Sudan		v	
Tanzania		v	
Togo		v	v
Tunisia			v
Uganda	Law in place	v	v
Zambia	Ready or planned	v	

Sources: A Report on the Mapping of Financial Capability and Consumer Protection Activities in Africa, by Genesis Analytics, 2010; 2009 Arab Microfinance Analysis & Benchmarking Report, by MIX, Sanabel and CGAP, 2010; Sub-Saharan Africa 2009 Microfinance Analysis & Benchmarking Report, by MIX and CGAP, 2010

Self-regulation: Microfinance Networks and Associations

Country	Microfinance Networks & Associations			
	Name	Mission	Number of MFIs	Website
Benin	ALAFIA	ALAFIA's mission is to transform microfinance institutions in Benin into sustainable MFIs that meet agreed standards of performance, by giving them services tailored to their needs.	18	www.alafiamicrofin.org
Burkina Faso	APIM BF	The Professional Association of Microfinance Institutions in Burkina Faso's mission is to defend the moral and material interests of the profession and provide members with services and capacity building.	2	www.apim-burkina.bf
Burundi	RIM	To contribute to the development of viable and efficacious financial services to assist the poor and low-income population excluded from the traditional banking structure by supporting the MFI members in achieving their missions and objectives.	4	www.rimburundi.civiblog.org
Cameroon	ANEMCAM		3	
Chad	APEMF-Tchad		1	
Côte d'Ivoire	AISFD-CI	The mission of AISFD-CI is to build the capacity of individual member institutions as well as advance the microfinance sector as a whole.	10	www.aisfd-ci.net
Congo, DR	RIFIDEC	RIFIDEC's mission is to stabilise and promote the microfinance sector in the DRC, to defend the interests of the decentralized finance system, and to reinforce the institutional capacity of member institutions.	8	www.rifidec.org
Congo, DR	RAMIF NORD Kivu	A formal microfinance association with the mission to build the institutional capacity and transparency of MFIs in North Kivu.		
Egypt	AUSE	Union's overall aim is to boost and correlate the areas of activities of its members in order to develop and upgrade Arab small enterprises; to increase their competitiveness; to strengthen co-operation ties among them; and to contribute to the realisation of inter-Arab economic integration.	1	www.sfdegypt.org/Arab_Union_e.asp
Ethiopia	AEMFI	To build and maintain an institutional structure that can provide capacity building, information sharing, and advocacy services to the microfinance institutions in Ethiopia.	16	www.aemfiethiopia.org
Ghana	AFMIN	To contribute to the provision of effective and sustainable microfinance services by supporting national microfinance networks and MFIs to achieve their mission and objectives and helping to improve the microfinance environment in Africa and globally.		www.afmin-ci.org

Country	Microfinance Networks & Associations			
	Name	Mission	Number of MFIs	Website
Ghana	GAPVOD	The Ghana Association of Private Voluntary Organisations in Development is the umbrella organisation for NGOs in Ghana. GAPVOD brings NGOS together on issues that affect them as a whole, and is committed to strengthening member organisations capacity to achieve their objectives.	1	www.gapvod.kabissa.org
Ghana	GHAMFIN	To network microfinance service providers to develop their capacities through training and research, and promote a common platform for advocacy. GHAMFIN seeks to provide these services in an efficient, socially responsive, transparent, and sustainable manner.	10	www.ghamfin.org
Guinea	APIM Guinea	APIM Guinea aims to create a dynamic framework for reflection, exchange and harmonisation among the structures involved in the field of microfinance in Guinea.	8	
Kenya	AMFI	AMFI's mission is to build the capacity of the microfinance industry to ensure the provision of high-quality financial services to low-income people and to uphold high ethical standards in the sector.	17	
Kenya	KUSCCO	Empowerment of members through advocacy, and providing quality, diversified, innovative and market-driven financial and technical services to Savings and Credit Co-Operatives.		www.kuscco.com
Madagascar	APIFM	The representation and defence of professional interests of its members, through the implementation of measures to improve their operations.	9	www.apifm.mg
Madagascar	CNM-Madagascar	Monitoring the implementation of government policy on microfinance sector development, response co-ordination, monitoring and evaluating projects and programmes related to microfinance.		
Malawi	MAMN	MAMN's mission is to facilitate the creation of an enabling environment for the development of a sustainable microfinance industry in Malawi through the participation of all stakeholders.	21	
Mali	APIM Mali	The Professional Association of Microfinance Institutions in Mali's mission is to defend the moral and material interests of the profession and provide members with services and capacity building organization.	30 MFIs, 8 Credit Co-operatives	www.apim-mali.org

Country	Microfinance Networks & Associations			
	Name	Mission	Number of MFIs	Website
Morocco	FNAM	To review the state of sector development in Morocco and worldwide; benefit from successful experiences of microcredit; widening the debate on critical issues, related to the development of the sector and its challenges; and bringing visions and seeking synergies between the sector and the various public development organisations.	1	www.fnam.ma
Mozambique	AMOMIF	Act as a professional association that facilitates the promotion and expansion of microfinance services. A key factor for AMOMIF is to provide relevant services of superior quality for the industry to attract and retain members, ensuring that the association represents and serves most of the microfinance sector and maximizes its qualitative and quantitative growth.	4	www.amomif.co.mz
Niger	ANIP-MF	ANIP's mission is to promote the microfinance sector and fight for MFIs interest. General goals: reinforce MFI and Microfinance sector capacities, and produce, distribute and exchange information.	5	www.anip-mf.net
Nigeria	CDMR			
Congo, Republic of the	APEMF	The APEMF Congo's mission is to strengthen the formal and legal recognition of microfinance in the Congo in three major areas of intervention: being the contact for governments and donors and participating in the formulation of the national microfinance policy; enhancing transparency and security sector; and facilitating dialogue between EMF and promoting professionalism and innovation within them.	3	www.apemfcongo.org
Rwanda	AMIR	AMIR is the umbrella body for microfinance institutions in Rwanda that seeks to build capacity in the microfinance industry in the country.		www.rwandamicrofinance.org
Senegal	AP-SFD	The Professional Association of Decentralized Financial Systems – AP-SFD Senegal (ex APIMEC) comprises microfinance institutions, mutual savings institutions and credit, savings groups and credit facilities that are signatories to agreements with Minister of Finance. Its main objective is to promote and support development of microfinance in Senegal.	13 MFIs, 19 Mutual Savings and Credit Organisations	www.apsfdsenegal.com
Senegal	INAFI	As a global Network of microfinance practitioners, INAFI is committed to poverty reduction through microfinance interventions. It brings together microfinance practioner institutions at three levels – international, regional and country levels in Latin America, Africa and Asia. Its mission is to propose alternative finance that is pro-poor, holistic, and sustainable.	28	www.inafiinternational.org

Country	Microfinance Networks & Associations			
	Name	Mission	Number of MFIs	Website
Sierra Leone	Sierra Leone Association of Microfinance Institutions		1	
South Africa	CMN	The Community Microfinance Network is an informal grouping of South African not-for-profit institutions primarily committed to alleviating poverty by providing financial services to the poor, particularly the very poor.	2	www.cmfnet.org.za
South Africa	MEA	To enhance capacity, efficiency, and effectiveness of microenterprise development agencies.	10	www.mea.org.za
South Africa	AMFISA	To expand and strengthen the capacities of development microfinance institutions in South Africa in their quest to promote the socioeconomic advancement of the poor and low-income population through the provision of microfinance services.		www.amfisa.org.za/
Tanzania	CBA	The CBA's mission is to mobilise resources so as to maximise value and economically empower community banks in Tanzania by offering financial and non-financial resources efficiently and effectively for the mutual benefit of all parties.	8 Community Banks	www.cba.or.tz
Tanzania	TAMFI	TAMFI works to strengthen Tanzania's microfinance sector by promoting co-operation and collaboration among its member organisations, providing training, conducting research, and lobbying the government of Tanzania.	13	www.tamfi.com
Togo	APIM Togo	The association aims to be comprised solely of microfinance structures, working primarily from a professional viewpoint on sustainable institutional arrangements for the fight against poverty and to ensure well-being.	2	www.microfinance.tg
Uganda	AMFIU	To stimulate and enhance private sector development to facilitate members' capacity building, participate in global microfinance industry, and be a key player in Uganda's rural/urban transformation.	14	www.amfiu.org.ug
Zambia	AMIZ	The mission of AMIZ is to facilitate, support and upgrade the activities undertaken by member MFIs and represent them in the best way possible by utilising microfinance best practices.	6	www.amiz-zambia.org

Country	Microfinance Networks & Associations			
	Name	Mission	Number of MFIs	Website
Zimbabwe	ZAMFI	To pronounce its relevance to its membership and achieve nationwide recognition and acceptance as the microfinance network of choice through the provision of demand-driven services to its members.	2	www.utande.co.zw
Côte d'Ivoire (temporarily relocated in Benin)	AFMIN	To contribute to the provision of effective and sustainable microfinancial services by supporting national microfinance networks and MFIs to achieve their mission and objectives and helping to improve the microfinance environment in Africa and globally.	12 African Microfinance Networks	www.afmin-ci.org
Egypt	Sanabel	The mission of this network is to maximise outreach by providing microfinance institutions in the Arab countries with a forum for mutual earning and exchange, capacity building services, and advocacy for best practice microfinance.	45 African MFIs	www.sanabelnetwork.org
Ethiopia	MFIAIN	The mission of MAIN is to help reinforce the social and economic role of the African microfinance institutions by initiating an African agenda for microfinance promotion in the process of African overall development.		www.mfiain.org
France	PAMIGA	The mission of PAMIGA is to enhance access to sustainable financial services by the rural poor in Africa. As pre-requisite to joining PAMIGA, MFIs must be sustainable or close to reaching sustainability.	14 African MFIs	www.pamiga.org
Kenya	AFRACA	AFRACAs vision is a rural Africa where people have access to sustainable financial services for economic development. The mission of AFRACA is to improve the rural finance environment through the promotion of appropriate policy framework and to support member institutions so that they are able to provide sustainable quality to the poor rural population.	14 Central Banks, 10 Agricultural and Development Banks, 19 Commercial Banks, 6 Microfinance Networks, 32 MFIs in Africa	www.amfikenya.com
Luxembourg	AMT	The purpose of AMT is to promote transparency within the African microfinance sector and to further strengthen the performance of African MFIs in order to improve the efficiency of their actions and activities in terms of poverty alleviation. AMT acts as a discussion platform where member MFIs and rating agencies can come together to discuss the process of microfinance ratings.	37 African MFIs	www.amt-forum.org

Financial Capability

Country	Financial Capability and Consumer Awareness							
	National Framework	FinScope Surveys	Other Surveys	School Initiatives	Workplace Initiatives	Youth Initiatives	Clients Initiatives	Channels Initiatives
Botswana		2004						
Burkina Faso				Financial education using the Aflatoun curriculum (www.aflatoun.org)				
Ghana	Developed	2010	USAID carried a baseline survey on financial literacy of urban dwellers Rural survey on financial literacy completed June 2009	Financial education using the Aflatoun curriculum			Opportunity International is building the financial capability of poor communities through financial education	Road shows, skits and plays, radio shows, financial literacy weeks
Kenya	Planned	2009		Plan Kenya to undertake the training of teacher trainers to train primary schoolchildren using the Aflatoun curriculum in 143 schools		Equity Bank is working with Kenyatta University to reach 25 000 youth through university student trainers and champions; K-Rep provides financial literacy for girls (age 16-22) though the Go Girl Account; Faulu provides financial literacy for girls (age 16-22) through its Princess Account	Faulu to train 54 000 clients in debt management, savings and budgeting using the Global Financial Education Program (GFEP) curriculum	Television (Makutano Junction)
Malawi		2008	Microfinance Opportunities carried out a baseline survey				Opportunity International is building the financial capability of poor communities through financial education	

Country	Financial Capability and Consumer Awareness							
	National Framework	FinScope Surveys	Other Surveys	School Initiatives	Workplace Initiatives	Youth Initiatives	Clients Initiatives	Channels Initiatives
Mali				Financial education using the Aflatoun curriculum				
Mozam-bique		2009		Financial education using the Aflatoun curriculum			Opportunity International is building the financial capability of poor commu-nities through financial education	
Namibia	Planned	2009	Plans a base-line survey on financial literacy	Financial education using the Aflatoun curriculum	The Namibia Financial Institutions Supervisory Author-ity (NAM-FISA) assists financial institutions to implement workplace fi-nancial educa-tion for their employees			Road shows, radio shows
Nigeria		2008		Financial edu-cation using the Aflatoun curriculum				Radio shows
Rwanda		2008		Financial edu-cation using the Aflatoun curriculum				
South Africa	Planned	2008		Financial edu-cation using the Aflatoun curriculum; Teach Children to Save, a one week initiative every year to teach children to save **http://www.tcts-sa.org.za**	Teba Bank providing miners with financial capabil-ity at their workplaces; BMW SA trained staff to enhance their "financial wellness".			

Country	Financial Capability and Consumer Awareness							
	National Framework	FinScope Surveys	Other Surveys	School Initiatives	Workplace Initiatives	Youth Initiatives	Clients Initiatives	Channels Initiatives
Tanzania	Planned	2009					Co-operative and Rural Development Bank and Rural Financial Services Programme includes financial education in the building of capacity of SACCOs; Bank of Tanzania and the Capital Markets and Securities Authority have a financial education programme focused on capital markets	
Uganda	Planned	2006	Baseline survey carried out in a pilot area before a financial literacy campaign	The Capital Markets Authority is working with the National Curriculum Development Centre to introduce financial capability in the curriculum		Innovations for Poverty Action will target youth under 25 years to encourage savings and improve financial education	Opportunity International is building the financial capability of poor communities through financial education	Skits and plays, radio shows, financial literacy weeks
Zambia		2005				Camfed to deliver financial capability to more than 8 800 young women using the GFEP curriculum		

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