

Financial education and inclusion to create well-being and fight poverty

Declaration by the Latin American and Caribbean Group (GRULAC) of the World Savings and Retail Banking Institute (WSBI)

Financial education and financial inclusion are essential to eradicate poverty and achieve the Sustainable Development Goals (SDGs) of the United Nations' Agenda 2030 . Financial education is part of the fundamental right to education, which is enshrined in SDG 4 of the Agenda. Therefore, financial education should be broadly understood as the development of skills to make assertive decisions that lead to the financial well-being of individuals. Authorities and actors in the financial and banking sectors, both public and private, share the responsibility to achieve this goal.

Multilateral organisations such as the IMF, the IDB and the G20 have put financial education among their priorities. The World Bank has even recommended that countries implement national financial inclusion strategies to achieve the SDGs.

The members of the Latin American and Caribbean Group of the World Savings and Retail Banking Institute (WSBI) present this Declaration as a sign of their strong commitment to contribute to the achievement of this goal.

Financial education as a basic factor for financial and social inclusion

- Financial education is a necessary, although not sufficient, pillar to ensure sustainable financial and social inclusion. The ultimate goal of financial education programmes should be to create a virtuous circle of financial inclusion in the lives of our clients and users. This refers to people achieving financial wellbeing throughout their lives and, as a result, enabling them to mobilise and climb the social ladder.
- As organisations we must have an increasing understanding of our clients needs. The more we are able to understand their needs, the more effective we will be in improving the quality of life of those we serve.

We must improve the financial inclusion of our customers through financial education aimed at developing effective decision-making skills that leverage improvements in quality of life and well-being.





- Financial education activities must necessarily be adapted to the service or product offered, but above all, to the context in which they are provided. Conditions must be created so that individuals, regardless of their socio-economic status and whether or not they have resources, can make correct, responsible and competent decisions about the use of money.
- The objective of creating a culture of financial inclusion should have a gender perspective, focusing on vulnerable populations and the various generational groups that require it most (children, youth and the elderly). Distinctions should be made between segments of society to create personalised financial education plans that adhere to the needs of each group.

The role of banking in financial education

- Institutions have a decisive role to play in improving people's financial literacy. This role is essential to improve decision-making in this area and to achieve greater stability in the financial system.
- Financial education and capacity building are the pillars that ensure that the services offered by banks become a lever for the development of households, micro, small and medium-sized enterprises. In addition, the autonomy and financial empowerment of individuals is promoted. This helps them take informed positions not only on a personal level, but also in relation to government decisions on economic matters.
- The big challenge for banks is to build genuine trust with their customers. Great efforts are needed to improve the general reputation of banks among the population. This change in users' perspective will allow financial education to no longer be seen as an interest of the banking sector, and to start being perceived as a basic element to achieve financial inclusion and wellbeing.

RECOMMENDATIONS

1. The efforts of the current financial education system are very fragmented and therefore do not contribute to generate a real and effective impact. There is a need to integrate these efforts and create an ecosystem while preserving the personalised approach by population groups.
2. Second, and in relation to the first recommendation, financial education should be focused on certain segments. The most relevant of these are vulnerable groups and those at risk of social exclusion such as women, youth, children, the elderly and small and medium-sized enterprises. In this way, a greater and more effective impact will be achieved, as efforts will be tailored to fulfil specific needs.
3. It is imperative to create a shared system, in which not only banks are involved in financial education activities and programmes. These should be



created in collaboration with academia and the civil society. Furthermore, it is paramount that multilateral organisations and national governments are involved, helping to create a framework for implementation and a broader impact that will lead to the desired outcome.

4. To build trust between banks and their customers. Perhaps the biggest challenge facing the banking sector, particularly in Latin America and the Caribbean, is building a relationship of trust with the population. As members of the Latin America and Caribbean Group of the WSBI (GRULAC), we are convinced that our institutions have a great responsibility in building resilience and financial well-being for the communities we serve. For the benefit of financial education efforts to reach the population, especially vulnerable groups, we must build this trust and gain a better reputation. This is essential:
 - Understanding the real needs of customers.
 - Transparency and clarity of the conditions attached to the financial solutions offered.
 - Constant proximity and genuine support focused on creating the right conditions for people's financial well-being.
5. It is necessary to establish the concept that financial education is financial capacity building. As members of the GRULAC, we understand financial education not only as showing our clients the best way to use the financial products and services we offer them, but also as a real development of their financial skills. These skills will enable them to have an effective and substantial understanding of how to use their money, as well as to evaluate the financial products and services available to them. It has been shown, as the recent CAF study in the Latin American region indicates, that people with higher levels of general and financial knowledge achieve a higher level of well-being.¹
6. The development of capacity to measure the impact of financial education programmes. The levels of effectiveness of financial education and inclusion initiatives in Latin America are low. This fact indicates the urgent need to design rigorous mechanisms to evaluate the impact of the implementation of financial education activities. In this way we would be able to extract areas for improvement in order to increase the effective impact of these initiatives.
7. This statement is an invitation to join forces to strengthen and expand financial education efforts globally. This is a pressing effort given the ever widening economic inequality gap in all regions. Therefore, as a final recommendation, we call for the creation of a platform to enable collaborative work between governments, financial institutions, multilateral organisations, academia and civil society. Achieving this would increase the impact and quality of financial education initiatives, bringing us closer to our goal of creating financial well-being throughout the life cycle of individuals.

¹ Cárdenas, S., Cuadros, P., Estrada, C & Mejía, D. (2020, July 23). Determinants of financial well-being: evidence for Latin America. Caracas: CAF. Retrieved from <https://scioteca.caf.com/handle/123456789/1617>