Financial Inclusion through Catalytic Central Banking

Financial Education in the Arab World Strategies, Implementation and Impact

Arab Monetary Fund and Bank Al-Maghrib

Raed H. Charafeddine, First Vice-Governor, Banque du Liban

20 & 21 October 2016 | Rabat, Morocco
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I. Introduction

• The world is witnessing a multifaceted socioeconomic outlook that is marked by transitional geopolitical developments.

• The landmarks of this outlook are technology surge, emerging economic powers, systemic risks and crises, economic secular stagnation, rising populism.

• All these phenomena inflict the need for a holistic vision in implementing unconventional monetary policy, particularly in approaching the notions of financial inclusion, financial capability, and financial education.
II. Banque Du Liban’s Catalytic Vision for Financial Inclusion
Model developed by Walid Barakat - Banque Du Liban
Banque Du Liban’s Financial Inclusion Approach

**Disruptive Financial Exclusion (reasons):**
- Low Income Security; Education
- Restructuring Needs; Unemployment;
- Income Gaps; Imbalanced Development;
- Lack of Financial Awareness; Vulnerable
- Social Safety Net; Active Informal Sector

**Financial Inclusion Demand Side**
- Transparency Policies and Actions
- Financial Education/Literacy
- Training Programs
- Consumer Protection

**Financial Inclusion Supply Side**
- Monetary Overview and Stability
- Financial and Banking Regulations
- Bank Penetration
- Stimulus Packages
- Targeting Vulnerable Groups and Areas
- Payment Systems
- SME Micro Credits
- Inducing Knowledge Economy
- Educational Loans
III. Popularizing Finance: from Financial Literacy and Financial Education to Financial Capability

- The performance of the financial and banking systems, pioneered by the monetary authorities, has been encompassing new socio-ethical, educational, and developmental dimensions, in addition to highlighting socioeconomic responsibility, especially in times of crises.
• The notion of financial literacy has evolved from its raw and basic financial knowledge constituents traditionally used to manage personal and household finances and resources to its incorporated schemes in educational systems.

• Financial literacy and education have been further broadened from focusing on a narrow concept of knowledge toward a concept of “financial capability” that incorporates a wider range of issues related to attitudes and behavior, hence thriving into deeper developmental and governance dimensions.
• Directions for policy makers:
  ➢ Strengthening the knowledge platform;
  ➢ Enhancing, reviewing, and expanding financial education strategies;
  ➢ Improving financial education for consumers;
  ➢ Improving business training interventions for entrepreneurs;
  ➢ Drawing correlations for financial literacy;
  ➢ Securing dual flow of information towards investors, financiers, and banks on one hand, and towards borrowers and funded institutions on the other.
IV. Lebanon’s National Initiatives for Enhancing Financial Education and Capabilities

• National initiatives towards endorsing financial education:
  ➢ Joining the International Network for Financial Education in 2010;
  ➢ Holding international, regional, and local conferences on financial education (2010 – ongoing);
  ➢ Conducting the National Financial Literacy Measurement Survey in 2012;
  ➢ Implementing Capacity Building Programs for Public School Teachers during the period 2009-2012;
  ➢ Issuing educational tools by supply-side stakeholders;
  ➢ Promoting financial literacy through the private sector and NGOs.
• Banque Du Liban’s role in promoting financial capabilities:

- Setting the academic, technical, and ethical qualifications required from financial employees in 2006;
- Sponsoring international, regional, and local conferences on financial education (2010 – ongoing);
- Establishing Banque Du Liban Money Museum in 2013;
- Establishing consumer protection units at commercial banks supervised by the Banking Control Commission in 2014;
- Instructing banks for educating their customers and building their financial capabilities (2015);
• Banque Du Liban’s role in promoting financial capabilities: (Contd…)

- Issuing educational pamphlets about monetary and financial topics (ongoing);
- Organizing internship student programs;
- Building the capacities of school teachers in economic and financial literacy.
V. Conclusion

• Lessons and recommendations:
  ➢ Mutually reinforcing relationship between behavior and knowledge;
  ➢ Positive association between attitudes and behavior;
  ➢ Negative relationship between inequality in education and income opportunities and financial literacy;
  ➢ Enhancing financial capabilities necessarily involves launching the dynamics that tailor integrative schemes between the communal factors of knowledge, behavior, attitudes, and equality.
Thank You