



TC Note Podcast: Financial Literacy and Digital Financial Inclusion: Supervisory Policy and Practice

Speaker:

Mercy Buku

Program Leader, Toronto Centre

Host:

Demet Çanakçı

Program Director, Toronto Centre

Date:

February 11, 2021

Transcript:

Opening automation: You're listening to a Toronto Centre Podcast. Welcome. The goal of TC Podcast is to spread the knowledge and accumulated experience of global leaders, experts, and world-renowned specialists in financial supervision and regulation. In each episode, we'll delve into some of today's most pressing issues as it relates to financial supervision and regulation, the financial crisis, climate change, financial inclusion, FinTech, and much more. Enjoy this episode.

Demet Çanakçı: Hello everyone. I am Demet Çanakçı, Program Director at Toronto Centre. This podcast is based on a recent Toronto Centre supervisor guidance note. TC Notes are meant to provide practical guidance to financial sector supervisors on key supervisor challenges. We have just published a TC Note titled, Financial Literacy and Digital Financial Inclusion, Supervisor Policy and Practice. And I'm very pleased to have the author today here with us, Mercy Buku, to talk about it. Mercy, thank you for joining us today.

Demet Çanakçı: Mercy has undertaken various financial inclusion and regulatory projects and has been a program leader with Toronto Centre. Mercy, could you first introduce yourself to our listeners and tell us about your experience in financial literacy and inclusion?

Mercy Buku: Thanks, Demet. I am a banking and compliance lawyer based in Kenya, with a career expanding over 30 years in the banking and mobile payment sector. Since 2015 I have been in full-time consultancy, focusing on digital financial services risk management. And in this regard, I have been engaged in various training and regulatory advisory programs for Toronto Centre and other agencies. In the areas of AML/CFT compliance and risk-based supervision of financial services, financial inclusion and financial literacy involving both regulators, law enforcement and



the private sector. I have also authored a number of policy briefs on these topics, including two for the Toronto Centre.

Demet Çanakçı: Thank you, Mercy, for that introduction. So, let's move to the TC Note then. What is the TC Note about? Could you give us a broad outline?

Mercy Buku: Thank you once again, Demet. Yes, the TC Note builds on previous TC Notes on financial literacy and highlights the benefits of financial literacy as a key driver for financial inclusion, as well as providing an overview of the barriers to financial literacy. It also recommends measures that regulators and supervisors can put in place to address some of these barriers, with particular focus on the link between and the enhancement of digital financial inclusion and financial literacy. The growth of digital financial services has been at the center of financial inclusion initiatives in many countries, notably in Sub-Saharan Africa, in Southern Asia, and in this regard financial literacy has been incorporated as an integral part of the financial inclusion policy agenda of many countries.

Demet Çanakçı: Thank you, Mercy. What are the main financial literacy barriers to digital financial inclusion? Can you give a couple of examples?

Mercy Buku: Low levels of financial literacy are a primary barrier to financial inclusion. A lack of information or knowledge about a financial service or product can have an adverse impact on a potential customer's adoption or use of that service. With specific reference to the digital financial inclusion factors, such as the lack of financial numeracy skills. For example, the inability to navigate a mobile money menu or to read financial text messages, including mobile money confirmation or promotional messages and bank balances. These make it difficult for a consumer to access mobile financial services or even make financial decisions. It also exposes them to fraud risks.

Demet Çanakçı: Thank you, Mercy. In discussing the note, digital financial literacy has been increasingly seen as a key component to address women's limited use of digital financial services, what are the policy considerations for overcoming the financial literacy barriers to digital financial inclusion, especially for disadvantaged groups?

Mercy Buku: Yes, well, low income segments and disadvantaged groups such as the youth, women and forcibly displaced persons who have no formal education are more likely to be financially excluded than those at the top of the education ladder. Governments therefore need to put in place policy measures and regulations that provide an all-inclusive framework for assessing and addressing financial literacy barriers, which affect all these segments within their jurisdiction. Such measures would include the development of programs to promote digital financial education, including special programs for vulnerable groups such as women, the elderly, youth, and forcibly displaced persons. These special programs should also



consider increasing numeracy skills as one of the means of improving digital financial literacy and hence digital financial inclusion.

Demet Çanakçı: Thanks for this, Mercy. So, how do we go from policy considerations to achieving supervisor objectives then? What role can supervisors play?

Mercy Buku: Supervisors can play a key role in implementing their country's national financial inclusion in financial literacy programs. For example, by participating fully in the development and implementation of national financial education and inclusion strategies, and by identifying the financial literacy barriers to financial inclusion and leveraging on ways in which financial literacy programs can be used to address these barriers and improve the financial literacy of consumers.

Demet Çanakçı: Thank you, Mercy. You mentioned the financial education programs. How about communications strategies for the delivery of financial education programs?

Mercy Buku: Actually, an effective communication strategy is critical to the delivery of any financial education program. And such strategies should facilitate a coordinated approach and involve all stakeholders, including the private and public sector in driving the financial inclusion agenda to achieve the intended goals and build awareness of the target audience and the general public on the importance of financial inclusion. In addition, good communication strategies can also be very effective in fraud awareness campaigns, including public and internal staff sensitization.

Demet Çanakçı: Thank you very much, Mercy. I think this is the best place to end the conversation. Is there anything else you would like to say?

Mercy Buku: Thank you, Demet. It is my hope that the target audience will derive useful insights from reading this TC Note. I would also wish to express my deep appreciation to Toronto Centre for giving me the opportunity to research and compile this TC Note. It has been a very insightful and rewarding experience and a great journey. Thank you.

Demet Çanakçı: Well, thank you, Mercy, for taking the time to talk with us today. It has been an interesting conversation. Thanks again for authoring this important TC Note on financial literacy and digital financial inclusion. I encourage participants to read the TC Note, which can be found in the resource center on our website. I'm here today with Mercy Buku and you have been listening to Toronto Centre, another episode of TC Notes Podcast series. Thank you for joining us today and stay tuned for the next episodes.