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# The DFS Consumer Competency Framework: *A foundation 4 financial inclusion*



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# Low consumer competencies negatively impact financial inclusion

In many countries, both developing and developed economies, there is a significant disconnect between **ACCESS** to financial services and **financial literacy levels**.

The Standard and Poors' Global Financial Literacy survey of 2014 found that only one in three adults globally is financially literate.

\*S&P measured basic **numeracy**, understanding of **compound interest**, **inflation** & **risk diversification**.

Further, there are great variations across populations related to age and gender.

**Youth** for example generally have lower financial literacy rates than the rest of the population; possibly related to lack of experiential learning.

# Country specific comparisons of finclusion & financial literacy rates

## Some Examples:

**Kenya:** 82% per WB Findex 2017; but  
38% Financially literate (S&P survey)

**India:** 80% per WB Findex 2017; but  
24% Financially literate (S&P survey)

**USA:** 93% per WB Findex, but only  
57% Financially literate (S&P)

# Potential problems due to the inclusion/literacy gap?


Risk of financial consumers using products they do not understand, or which are not appropriate to their needs or are unaffordable (ie overindebtedness risk).

This risk is significant for example where the youth population and digital financial services are concerned.

Low levels of financial literacy also mean consumers are more vulnerable to sharp practices and financial frauds.

This makes the financial regulators' task more important, yet arguably more difficult as there are fewer consumers that can identify a risky investment or a potential ponzi.





Who, How, and where should the journey begin to build DFS consumer competencies?

# The DFS CCF is intended as a guide for diverse stakeholders

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- The **Working Group** had inputs from this group of stakeholders – all interested in financial consumer protection, financial literacy and financial inclusion:
  - **Bank of Ghana,**
  - Communications Authority of Kenya,
  - **Bangladesh Bank,**
  - CUTS International India,
  - **the State Bank of Pakistan,**
  - Otoritas Jasa Keuangan Indonesia (OJK-Financial Literacy Unit) & **the St. Louis Federal Reserve Bank** (Economic Education Unit, USA).

# DFS CCF encompasses 15 core competences

- The guide addresses the **skills/knowledge & pro active behavior** of a DFS consumer throughout the life cycle of a DFS transaction.
- From the time consumer is considering use at the **pre transaction** phase, to actually engaging with the services provider and using or **purchasing the financial service** through to **the post sale**; so this includes engaging with the provider when the QoS was not up to par and redress.
- At all phases the DFS consumer must possess specific knowledge, skills and engage in pro active behavior or it will be to their detriment.



# Of the 15, what's the most likely to bring about meaningful change for the DFS consumer?

- CA2.3 To read & understand terms and conditions of use.
- We know for various studies, that consumers are unlikely to read user agreements before clicking and agreeing to the terms.
- We found in a financial literacy course developed for OJK/ADB called Y-Bank that when participants (youth ages 18-24) were taught what to look for in user agreements (e.g. all costs, fees penalties; any limitations on rights to redress; any data privacy clauses) and the significance of those terms & conditions then youth indicated they were much more likely to read these BEFORE using/purchasing a financial service.



# Consumer competencies require lifelong learning

