

Financial Inclusion for the Poor in Brazil: Is there a Regional Case?

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Introduction

- The conventional approach to financial education
- The criticisms to such approach
 - Should “the region” be considered as a parameter?
- Financial Education in Brazil
- Financial Education for the poorest
 - The case for regions

Financial Education

“Financial education is the process by which ***financial consumers/investors*** improve their understanding of financial products and concepts and, through ***information, instruction*** and/or ***objective advice***, develop the skills and confidence to become *more aware of financial risks* and opportunities, to *make informed choices*, to know *where to go for help*, and to take other effective actions to *improve their financial well-being*”.

(OECD, 2005)

Inform, Instruct, Advise

- ***Information***

- involves providing consumers with facts, data, and specific knowledge to make them aware of financial opportunities, choices and their consequences;

- ***Instruction***

- involves ensuring that individuals acquire the skills and ability to understand financial terms and concepts, through the provision of training and guidance;

- ***Advice***

- involves providing counseling to consumers about generic financial issues and products so that they can make the best use of the financial information and instruction they have received

- The ***main objective*** of financial education:
 - The expansion of the *financial capability* of ordinary citizens.
 - not simply the expansion of the level of *financial literacy* (transferring technical knowledge related to finances)
- Financial decisions: appropriate model of behaviour
 - Manage the family budget, plan for the future
 - To keep informed: availability of financial services and the performance of the financial market
 - Target Groups
- Rationale: in the context of financialization, every citizen must be able to maintain a **good** relationship with the financial market.

Financial Education

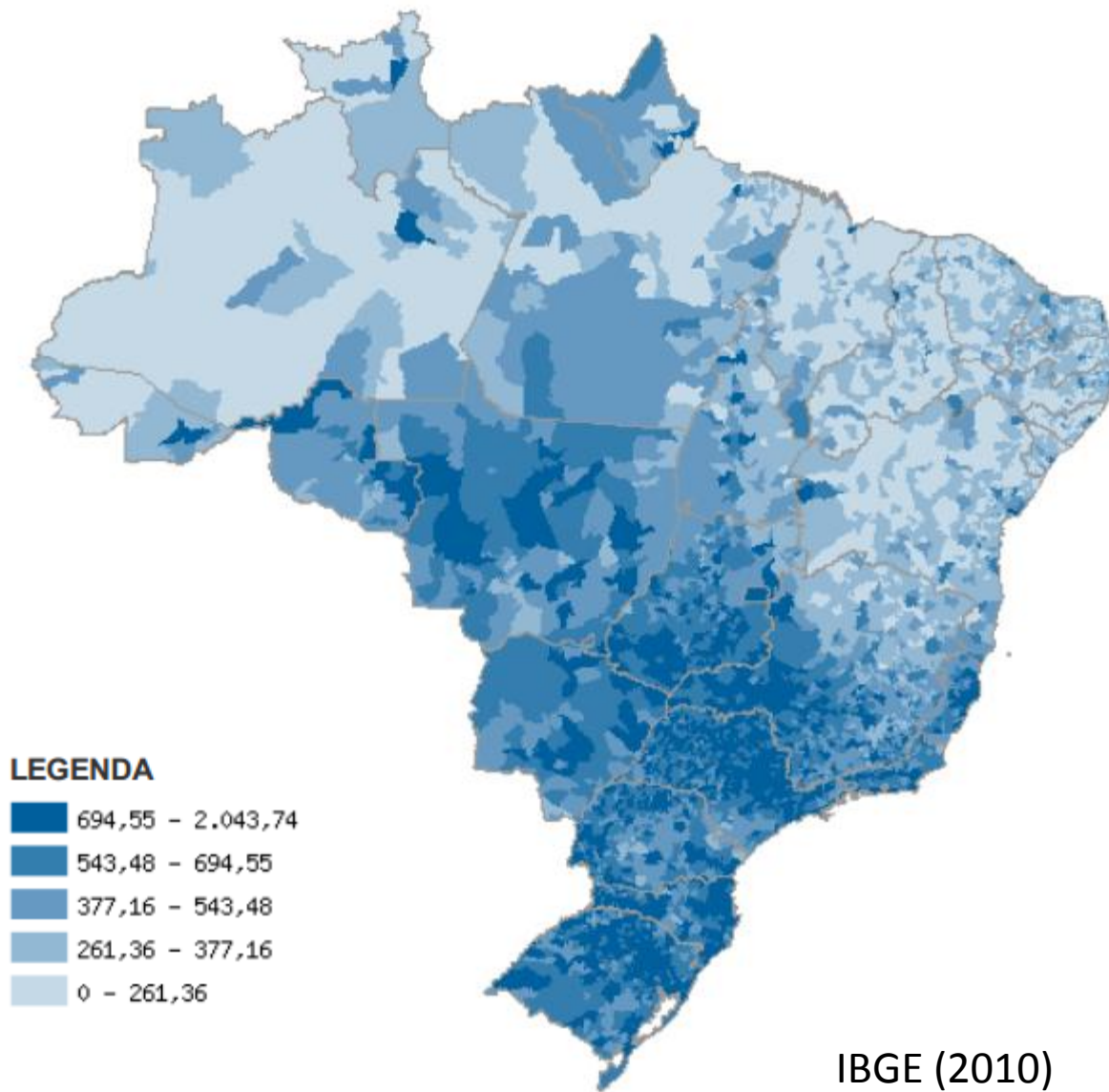
- **Children and young people of school age:** extracurricular subjects in schools and universities;
- **Employees:** short courses or seminars, educational materials have varying depth, according to job category; thematic content such as social security or similar seminars;
- **Retired people:** seminars with topics that involve everyday financial matters;
- **Women:** courses / seminars in specialized associations of gender; involve simplified material about household budget and productive inclusion;
- **Unemployed or under-employed adults:** courses / seminars offered by NGOs and specialized agencies, involve practical issues of microfinance and productive inclusion;
- **Extremely poor:** courses / seminars offered by NGOs and aid / social development agencies; simpler contents than the other target groups: spending plans, savings and financial inclusion;

- **What about regions?**
 - To a varying degree, the inter-relationships between the consumer, education levels, and the financial system are all strongly rooted in the local social and political structures
 - Regions differ in
 - Economic terms (diverse inequalities)
 - Educational levels (cultural and social perspectives)
 - Access to information (uncertainty)
 - Availability and complexity of financial services
- Therefore, financial education policies must take into consideration these regional aspects from the start...

Financial Education in Brazil

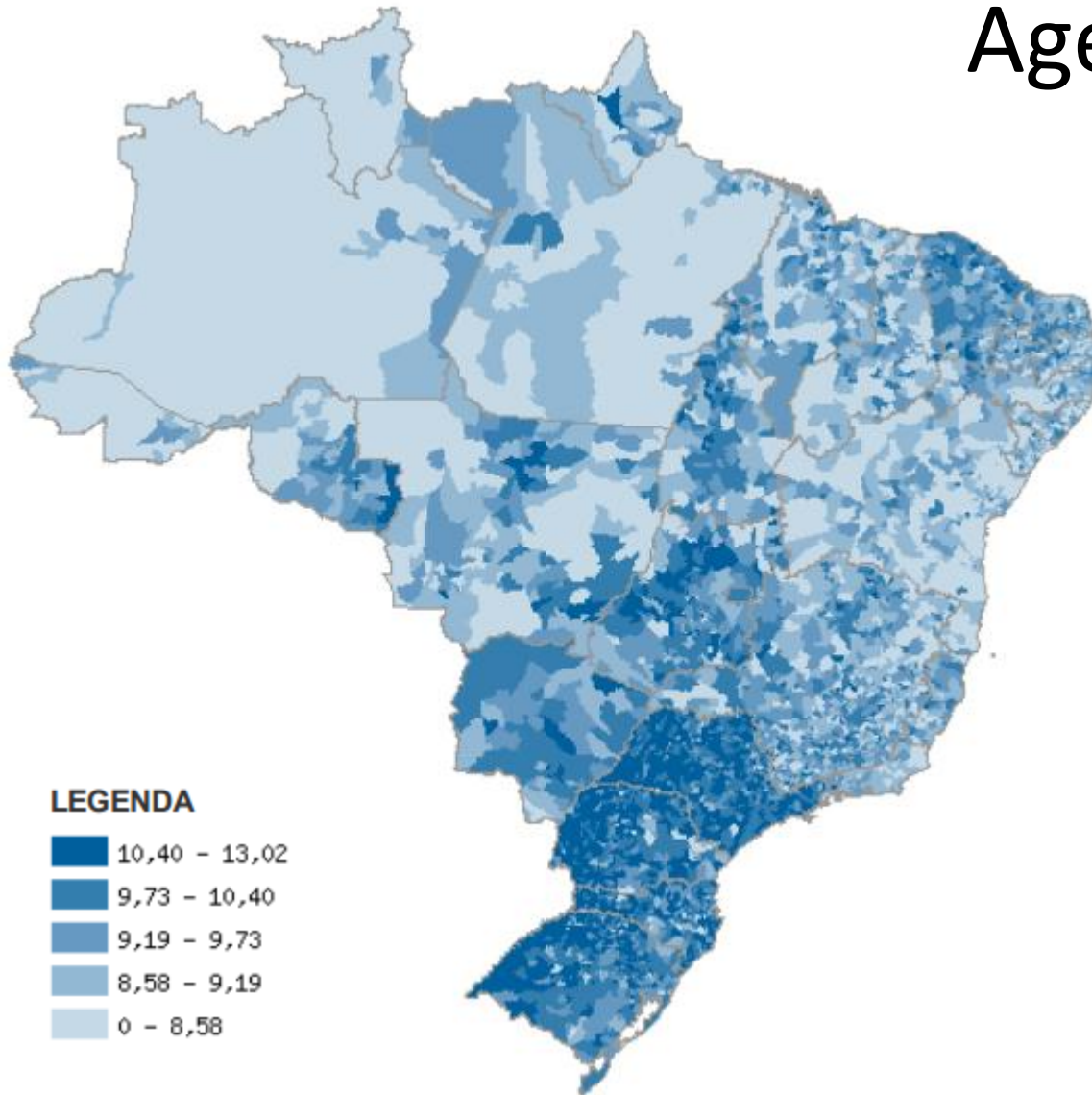
- Initiatives are clustered between the categories of “very general” to “very specific”
 - Ministry of Education project (with World Bank): financial education for children in school age
 - Banks: booklets with information
 - Class Associations: courses which are aimed at their representatives (retirees, employees)
 - Microinsurance
 - Microcredit
- Regions are an outcome, not an input...

Per capita Income (2010)



IBGE (2010)

Education Expectancy at Age 18



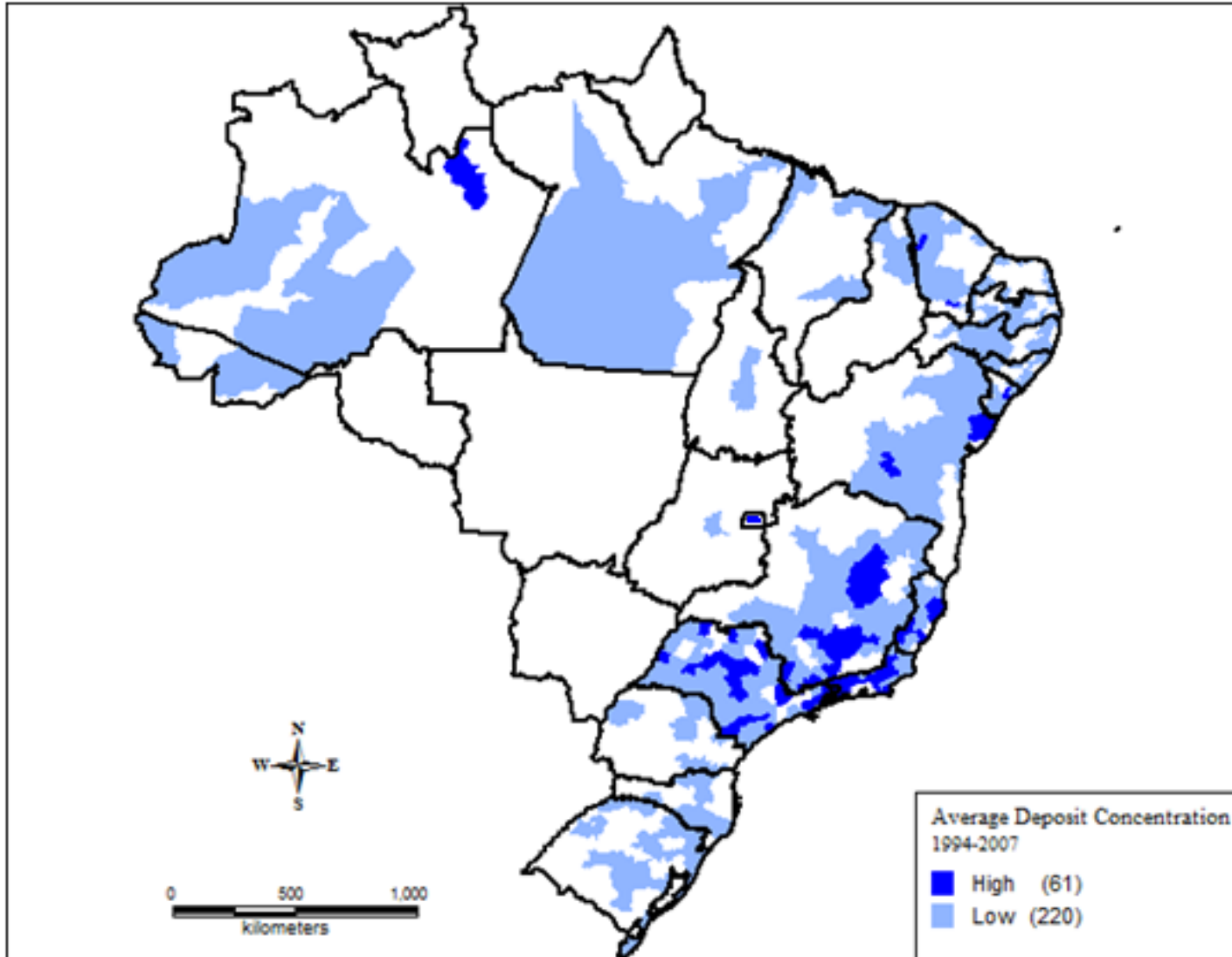
LEGENDA

- 10,40 - 13,02
- 9,73 - 10,40
- 9,19 - 9,73
- 8,58 - 9,19
- 0 - 8,58

IBGE (2010)

Banking Activity

Deposits: Access and Use



- Research on financial practices and attitudes towards financial issues (Cedeplar/MDS, 2012)
 - Bolsa Familia – Cash Transfer Program
 - Head of the family: 92% were women
 - 41% had an occupation from which autonomous jobs represent 55% and 55% were in the services sector

Table 1: Extremely Poor: Access to Financial Services (%)

Macroregion	Current Account	Savings Account	Credit Card	Private Health Insurance	Life Insurance	Funerary Plan
North	4.35	7.7	6.44	1.59	0.72	1.61
Northeast	3.89	12.72	6.24	3.41	1.35	1.64
Southeast	16.69	24.63	23.71	9.82	4.19	4.15
South	13.41	17.43	12.31	5.58	3.07	4.21
Centre-West	12.39	16.73	17.6	4.61	3.08	6.48

- Urban South and Southeast
 - Higher educational levels, younger, higher levels of occupancy (formal)
 - **Higher Income:** interested in FE, good access, **lower debt repayment capacity**, over-indebtedness (71% in the region)
 - **Average Income:** interested in FE, good financial planning, **higher debt repayment capacity** (47% in the region)
- Rural Centre-West and Northeast
 - Average age, **average educational levels**, **lower income: poor financial planning**, higher **debt repayment capacity** (75%)
 - Average Age, **higher educational levels**, **average income: good financial planning**, interested in FE, **higher debt repayment capacity** (73%)
- Rural North and Northeast
 - **Older**, in the informal sector, lower educational levels, lower income: **lower interest in FE**, lower savings (higher spending), lower access to financial services (65% in the region)

Conclusions

- There is definitely a regional parameter that should be taken into account when using financial education policies
 - Access to services
 - Urban vs. Rural
 - Use of information (capabilities)
- Regional “Knowledge” transfer in Financial Education
 - Local institutions to deal with information and usage of such
 - Tailored to local needs
 - Supervision of bad practices by the financial market: consumer protection