

DIGITAL FINANCIAL LITERACY

Guideline Note No.45
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EXECUTIVE SUMMARY

The evolution of Digital Financial Services (DFS) provides immense opportunities to deepen financial inclusion and expand access to financial system for previously underserved groups. This fast-paced growth, however, comes with drawbacks in the form of growing consumer risks.

Moreover, demand-side challenges such as low awareness and trust in DFS, and limited digital and financial literacy are also barriers to effective adoption and usage of DFS. Increased awareness and understanding of DFS are also needed by the consumers to ensure their digital rights (such as right to online privacy) in the rapidly changing digital environment.

While financial education has been on the agenda of policymakers for many years, including in the form of adoption of the national strategies or programs on

financial literacy/education, we see a growing need to particularly strengthen the Digital Financial Literacy (DFL) across AFI member countries, by developing initiatives that address relevant DFL needs and gaps, and mitigate related consumer risks. In line with this, a joint sub-group of the Digital Financial Services (DFSWG) and the Consumer Empowerment and Market Conduct (CEMCWG) working groups, developed two knowledge products on DFL - this Guideline Note with key policy recommendations, and the accompanying Toolkit that provides further practical guidance on the development, implementation and monitoring and evaluation of DFL initiatives.

This Guideline Note presents key considerations for regulators and policymakers - to consider when developing a DFL strategy across three dimensions: (i) legal, regulatory and policy environment, (ii) supply/provider side, (iii) Demand-driven design and delivery of DFL interventions. Additional recommendations are provided for cross-cutting issues, such as DFL interventions for vulnerable groups and periods.

LEGAL, REGULATORY AND POLICY ENVIRONMENT

1. Ensure evidence-driven DFL approach.
2. Undertake a mapping of existing national strategies, policies and interventions.
3. Identify key DFL competencies & objectives.
4. Reflect DFL objectives in Consumer Protection Policies and relevant regulation.
5. Incorporate DFL in NFES and/or NFIS.
6. Ensure effective multi-stakeholder coordination and participation.
7. Define DFL strategy to be relevant for the local DFS market and expected developments.



DEMAND-DRIVEN DESIGN AND DELIVERY

1. Integrate DFL in existing financial education/financial inclusion programs.
2. Design well-defined DFL interventions for appropriate target group.
3. DFL should be delivered through effective, appropriate and innovative channels.
4. Work in partnership with and support relevant stakeholders to reach targeted populations.
5. Incorporate demand-side indicators in the M&E framework throughout the lifecycle of the DFL strategy.



SUPPLY SIDE

1. Engage with industry associations, DFS providers and other stakeholders.
2. Foster timely reporting between relevant stakeholders.
3. Create DFL guidelines for DFS providers and other stakeholders.
4. Mandate product disclosure & transparency and ethical behavior by DFS providers.



GUIDANCE ON CROSS CUTTING ISSUES

- Target vulnerable populations, particularly:



Women



Youth



Migrants, refugees & IDPs

- Incorporate DFL provision in crisis / emergency response situations.



BACKGROUND

The evolution of DFS, which can be attributed to the ubiquity of mobile technology adoption and usage, coupled with rising innovations in financial technologies, different business models, and new approaches to service delivery,¹ represents an opportunity to reach previously excluded and underserved populations with more tailored financial services.

The list of DFS models proven to advance financial inclusion has been continuously expanding over the past decade. New, bigger and unusual players are rapidly entering the space to serve both individuals and the SMEs, with new products (including digitally delivered credit, virtual currencies, buy-now-pay-later products, etc.) and innovative business models (such as virtual banking, open Application Programming Interfaces (APIs), alternate credit assessments, among many others), thus creating new levels of complexity in the DFS landscape. Also, it brings new opportunities for financial consumers, from increasing the potential reach and access of financial services to offering more convenient and faster transaction, and more tailored products.

This advancement, however, comes at a price: consumers and SMEs have to rapidly learn and adapt to the increasing sophistication, complexity and variety of DFS, which means acquiring the understanding and developing behaviors that will allow them to make effective use of these products and services. Increasing DFS-related consumer risks have become a growing concern among regulators, further highlighting the vulnerabilities of users of digitally delivered financial services. Further, there are persistent challenges on the consumer side, including low financial literacy, limited awareness of DFS and associated risks, poor perception, and lack of trust in DFS, perceived complexity of DFS, and general illiteracy (low literacy and numeracy skills).² Addressing these barriers from the consumer perspective is crucial to drive adoption and safe usage of DFS, thus deepening responsible financial inclusion in combination with strengthening consumer protection frameworks on DFS.

Therefore, members of the AFI network see an increasing need to strengthen DFL within their jurisdictions.

Within this context, a joint sub-group, of the DFS and the Consumer Empowerment and Market Conduct (CEMC) working groups, was constituted to develop this Guideline Note, along with a Toolkit on DFL. The Guideline Note examines the insights and current

practices on promoting DFL within AFI's network, based on the survey on the regulatory and practice landscape on DFL within the AFI network conducted in February 2020. The survey covered 30 AFI members and included an in-depth secondary research and 4 in-depth interviews with survey respondents and private sector partners.

OBJECTIVE

This Guideline Note is aimed at creating an effective framework of policy recommendations that would support policymakers and regulators in understanding, developing, facilitating policies, and designing interventions directed at advancing DFL within their jurisdictions. This Guideline Note is complemented by the Toolkit on DFL,³ which provides further practical guidance on the design, implementation, monitoring and evaluation of DFL strategies and interventions.

DEFINING DIGITAL FINANCIAL LITERACY

Advancing financial literacy has been on the agenda of policymakers globally for more than a decade, however, the work mostly concerned traditional financial education, which focuses on the basic principles of finance management (saving, budgeting) and the use of traditional financial services, such as current and savings accounts. The rapid rise in the use of DFS, their complexity, and increasing DFS-related consumer protection risks (e.g., fraud and over indebtedness), call for a more nuanced and expanded scope of financial literacy that focuses on DFS.

DFL is a multi-dimensional concept which integrates financial literacy, financial capability and digital literacy. Financial literacy refers to awareness and knowledge of financial concepts and products needed for managing personal finances, per one's economic and social circumstances. ***Financial capability*** refers to an individual's competencies in financial knowledge, skills and behaviors needed to undertake informed, confident and relevant decisions and actions about personal and household finances to improve one's financial well-being.⁴ In this context, the term ***financial education*** refers to the process of providing people with knowledge, skills and exposure through

1 AFI (2019). Policy Framework for women's financial inclusion using digital financial services.

2 AFI DFL survey, 2020

3 AFI, Financial Literacy Toolkit

4 AFI, Financial Literacy Toolkit

access to relevant objective information, and training to enable them to make informed financial decisions and take actions appropriate to their circumstances.⁵ Many countries that have a nationally coordinated approach to financial literacy/financial education have developed their own definitions, based on the realities of their local jurisdictions. On the other hand, **digital literacy** refers to the ability to read and navigate autonomously digital content,⁶ and the competence and knowledge to access and use digital products and services such as mobile phones, tablets, or internet.⁷

For the purposes of AFI knowledge products on DFL, the terms ‘Digital Financial Literacy’ (DFL) incorporates the objective of ‘Digital Financial Capability’ (DFC), and encompasses the dimensions of knowledge, awareness, skills and competencies as relevant to the use of DFS. In the experiences of the AFI network, the concept of DFL encompasses:

- i Awareness/knowledge of DFS and the competencies to independently use relevant DFS.
- ii Awareness/knowledge of relevant DFS-related risks and the competencies to prevent these risks in the usage of DFS.
- iii Awareness/knowledge of related consumer protection and redress mechanisms and competencies to seek same when needed.

Therefore, the AFI network defines Digital Financial Literacy as

“acquiring the knowledge, skills, confidence and competencies to safely use digitally delivered financial products and services, to make informed financial decisions and act in one’s best financial interest per individual’s economic and social circumstance.”

Within the AFI network, members are yet to define DFL at their local jurisdictions as none of the 30 respondents to the AFI’s DFL survey appeared to have a specific definition for DFL, however there is a growing policy interest towards this agenda, with six countries (20 percent) reporting to be in the process of developing a localized definition of DFL to inform their interventions in this area. Furthermore, the survey and related in-depth interviews have indicated that regulators across the AFI network are already implementing interventions targeted at DFL within their wider consumer protection or financial education interventions, though not formally defined as DFL interventions. This perhaps points to the relative nascent appreciation of DFL as a policy area among regulators.

It is important to note that when a definition of DFL is created at the national level, it is of utmost importance that it is anchored by the existing definition of financial literacy and/or financial capability that already exist in the same context. This definition, when available, is often stated in the national strategy or framework for financial education or financial literacy in the country.

CASE STUDY

DFL Definition by Bangko Sentral ng Pilipinas



The Bangko Sentral ng Pilipinas (BSP), the central bank of the Philippines, defines digital literacy as a competency in relation to financial literacy. Financial literacy is the level of knowledge about financial concepts that are useful for a person to make financial decisions; while digital literacy is the ability of a consumer to use a variety of DFS with self-assurance and full trust in their benefits. Digital literacy, in the context of financial services, has the following dimensions:

- Knowledge of DFS: Consumers are aware of the existence of DFS, have a basic understanding of how DFS are used, and able to compare the pros and cons of each product type;
- Awareness DFS Risks: Consumers understand the potential pitfalls of DFS usage, such as phishing, spoofing, personal data theft, hacking, and other cyber risks;
- Digital Financial Risk Control: Consumers have the ability to secure their transactions from cyber risks attendant to DFS through appropriate cyber hygiene practices, such as strong password protection, multi-factor authentication, data privacy standards and cybersecurity protocols;
- Knowledge of Redress Procedures: Consumers know their basic rights as DFS users, and what to do when they encounter usage errors, or fall victim to cyber fraud and abuse.

Considering this, by DFL interventions we understand initiatives that:

- Establish DFL objectives and outline a set of coordinated and sequenced actions to accelerate progress towards achieving those objectives.
- Define the key constraints and opportunities relevant to achieving higher levels of DFL.
- Determine a set of priorities and regulation/policy and non-policy/programmatic actions linked to those.
- Encourage a consultative and coordinated process for development and implementation, including inputs from all actors/sectors relevant.

5 AFI Financial literacy Toolkit

6 OECD (2016) Skills for a Digital World. Background Paper for Ministerial Panel 4.2. May 2016.

7 FinEquity (2020) E-Discussion: Digital Financial Literacy. Summary report.

POLICY CONSIDERATIONS ON DIGITAL FINANCIAL LITERACY

Emerging aspirations to harness the financial inclusion opportunities that DFS have to offer, coupled with increasing concerns from regulators about the risks, are reflected in the growing number of interventions to address risks emerging from DFS. However, these interventions seem to be catch-up or reactive in response to emerging consumer risks, rather than proactive. Such reactive policy response can deepen the exposure of consumers to risks and result in a lower trust in and use of DFS. Hence, it has become important for regulators to follow a proactive approach towards DFL that will ensure consumers, especially vulnerable ones, are less exposed to consumer risks and also have adequate literacy and capability to effectively utilize DFS for financial inclusion.

The following chapters present key considerations for regulators and policymakers that should be taken into account in the development of a DFL strategy or any related intervention across three dimensions: (i) legal, regulatory and policy environment, (ii) supply/provider side, (iii) demand-driven design and delivery of DFL interventions. Additional recommendations are provided for cross-cutting issues, i.e. DFL interventions for vulnerable groups, such as women, youth, migrants/refugees and vulnerable periods, such as disaster/emergency response.

1 LEGAL, REGULATORY AND POLICY ENVIRONMENT

RATIONALE

The creation of frameworks and interventions on DFL have not been within the institutional mandate and action focus of regulatory and supervisory authorities. However, as the growing DFS market continues to bring increasing consumer protection risks, policymakers and regulators all over the world are looking to address this within the relevant regulatory and policy interventions. The legal and regulatory environment has yet to adequately address these challenges. This is due to inadequate DFS relevant consumer protection laws, poor redress systems, regulatory frameworks not

tailored to DFS, inadequate supervisory capacity and regulatory overlaps, among others.⁸

As the experience of AFI network has shown,⁹ a national strategy with clear goals and targets can support coordination among public and private sector stakeholders and provide an organizing framework for financial inclusion or financial education policies and regulations to be implemented. The development of the National Financial Education Strategy (NFES), or the inclusion of financial education as a component of the National Financial Inclusion Strategy (NFIS) are now a common policy practice - 86 percent of countries, which responded to DFL survey, either already have an approved NFES, NFIS or are in the process of developing one. A significant number of countries are already in the process of revising their initial strategy and/or implementing a second national strategy, based on their experience and the evaluation of the outcome of the first national strategy,¹⁰ which provides a suitable opportunity for DFL integration.

Incorporation of DFL in the national strategies provides a useful framework for DFL prioritization, resource allocation, and effective multistakeholder coordination. This can address the common challenges of regulators that are confirmed by AFI DFL survey, where 67 percent of respondents cited limited resources for public DFL outreach, and 17 percent see an inadequate prioritization of DFL initiatives by the Central Bank and relevant government bodies as the main regulatory and policy challenges to DFL implementation (see Figure 1).

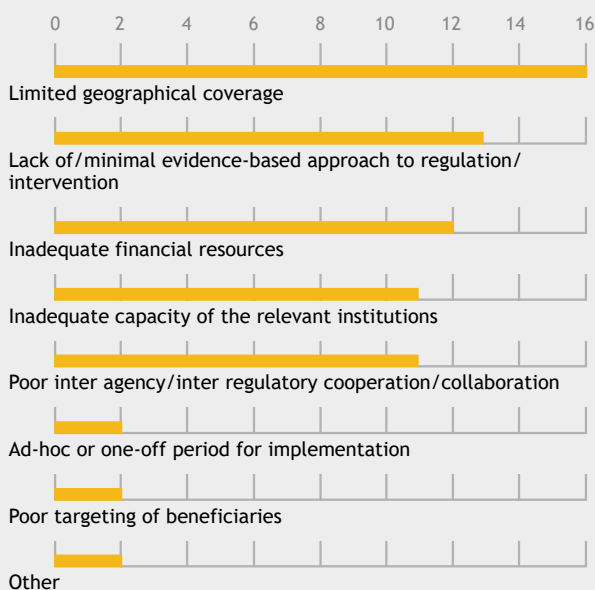
Moreover, the design and implementation of successful DFL interventions requires the participation of a myriad of actors from within the financial system and beyond. In 70 percent of countries that took part in AFI's DFL Survey, the Central Bank is reported to be the leading institution in charge of coordinating the overall financial education agenda in the country, followed by the Ministry of Education and Ministry of Finance. In addition to the central banks and other financial sector regulators, private sector stakeholders were reported to be implementing DFL initiatives across different jurisdictions (see Annex 1). Thus, effective multi-coordination is key in the implementation of DFL strategy and interventions.

⁸ AFI (2020) Policy model on consumer protection for DFS

⁹ AFI National Financial Inclusion Strategies <https://www.afi-global.org/policy-areas/financial-inclusion-strategy>

¹⁰ Based on OECD (2015) National Strategies for Financial Education: OECD/INFE Policy Handbook. While the exact number of countries implementing and revising their NFES or NFIS is currently unknown, this number is increasing every year.

FIGURE 1. CHALLENGES IN THE EXISTING REGULATION AND INTERVENTIONS ON DFL ACROSS AFI NETWORK



The following recommendations are anchored within the assumption that the integration of DFL objectives should be streamlined across all relevant regulatory and policy interventions on financial education, financial inclusion, and consumer protection.

BOX 1

DFL POLICY/REGULATORY INTERVENTIONS IMPLEMENTED ACROSS AFI NETWORK TO ADDRESS THE DFS-RELATED CONSUMER PROTECTION RISK ISSUES

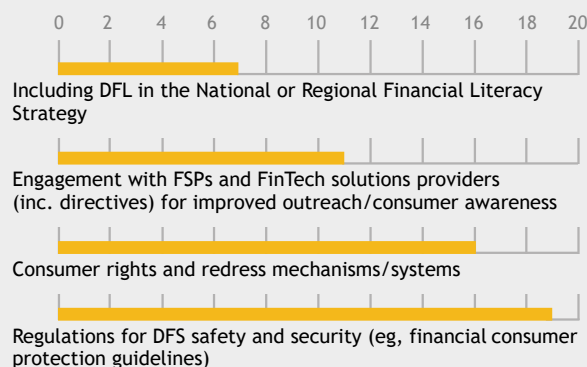


The survey by the AFI network has shown that adopting consumer protection regulations and improving redress mechanisms are the most common policy responses to DFS-related consumer risks. Despite the growing importance of DFS-related risks and the need for DFL, only, six countries that responded to the AFI DFL survey reported to have a special mention or provision for DFL within the national strategy (Fiji, Ivory Coast, Jordan, Mexico, Solomon Islands, Uganda), and one additional country (Nigeria) included DFL in its review of the NFIS (see Table 1, Annex 1).

Regulatory interventions on consumer protection related to DFS are being implemented by different stakeholders, depending on the jurisdiction - from the central bank to financial consumer protection-dedicated authority. Lack of coordination between these authorities can result in limited effectiveness of the measures, hence, a well-defined governance framework with clear mandates, scope of oversight, defined scope cooperation among allied regulators and agencies, and its respective implementation are crucial.

FIGURE 2. POLICY/REGULATORY RESPONSES TO DFS-RELATED RISKS ACROSS AFI NETWORK

Policy/regulatory responses to DFS-related risks across AFI network



CASE STUDY

Enabling policy environment for DFL in Mexico



Mexico's National Financial Inclusion Strategy contains great ambitions for the development of digital finance at the national level. Although DFL is not addressed per se, the strategy document does communicate that by 2030 most of the country's financial consumers should "[...] make appropriate use of digital financial tools, since they know the risks and benefits around these." Besides a NFIS that makes the country aspirations very clear, Mexico has taken important strides to build a robust framework for digital finance, launching a law in 2018 that regulates financial technology institutions, which includes important financial literacy obligations and concepts.

Moreover, Mexico has been at the lead in the implementations of innovative financial literacy approaches. For example, MIDE (Interactive Museum of Economics) is the first museum in the world dedicated exclusively to economics and has been quintessential to Mexico's financial education efforts. The museum takes pride on its initiative "MIDE Digital", which seeks to take the experience of visiting the museum online.

KEY RECOMMENDATIONS

1. Ensure evidence driven DFL approach.

Effective DFL policies and interventions have to be based on objective data and be relevant to the context and realities of the particular country or region, and the level of maturity of DFS market. Authorities should consider the following:

- Review existing diagnostics studies and periodic consumer surveys for DFL-related/relevant questions and indicators.
- Incorporate DFL indicators into relevant diagnostic assessments on demand- and supply-sides. Diagnostic studies can provide an analytical and in-depth assessment of digital financial inclusion, digital financial infrastructure, relevant binding constraints and challenges on demand- and supply-sides, levels of DFS usage, which in turn helps identify main policy priorities and key target groups for DFL interventions.
- Establish baseline on relevant DFL indicators before the design and implementation. Setting DFL targets will allow to track progress over time and support evidence-based policymaking.

CASE STUDY

Demand side assessment of youth financial literacy in Indonesia



In 2019, Otoritas Jasa Keuangan (OJK) in Indonesia, with the support of ADB, conducted an assessment of financial behavior, knowledge, sources of information regarding financial services, and the education/career/ life goals of youth aged 15-30. Results showed that young people are very likely to utilize DFS (including for online banking and e-commerce) and tend to be more confident in their own competencies and knowledge than their actual performance on financial knowledge-based questions. Also, a large number of youths failed to recognize the clear signs of a potential financial fraud. At the same time, 90 percent of respondents were very interested to participate in further financial literacy programs, if they were offered in an interactive and engaging manner.

2. Undertake a mapping of existing national strategies, policies and interventions to map out provisions, gaps and challenges that could be relevant to DFL, identify and consolidate available resources, stakeholders, opportunities and minimize/prevent duplication of efforts in the design and implementation of the DFL strategy.

CASE STUDY

Implementing DFL in the National Strategy in El Salvador: Diagnostics.



The National Financial Education Strategy of Salvador has envisioned the implementation of DFL initiatives. This is the response of the Salvadorian authorities to the current DFS landscape in the country and the financial capabilities of their population.

In 2016, the Central Bank carried out a Financial Capabilities Survey that made it possible to develop Financial Education indicators for the NFES. This study also identified that rural areas were those with the lowest financial capabilities. Additionally, in 2018, the Central Bank carried out the first study on Financial Education initiatives, which included 28 private initiatives. This study will be carried out again in 2021 and a key aspect when evaluating the initiatives, will be the use of digital channels and implementation of DFL principles.

The NFES also contemplates the need to promote innovative models and tools to encourage the improvement of financial education initiatives by FSPs. This is why the Central Bank is currently planning a mapping of private initiatives. This mapping is to be carried out to identify those that have already implemented DFL components and offer institutional support to those not yet engaged with DFL.

3. Identify key DFL competencies & DFL objectives.

Diagnostic studies and the projected development of the DFS market within the local jurisdiction should provide a suitable base for the identification of the core competencies related to the effective use of DFS. Regulators should identify DFL skills critical in their jurisdictions, taking into account the local realities in the level of maturity of the local DFS market and key DFS-related consumer protection risks, among others. The national framework should also identify core competencies relevant to specific vulnerable groups (e.g. youth, women, refugees/migrants, or elderly). The framework should be outcome-based and include aspects of awareness, knowledge, attitude and behaviors, with relation to the DFS that are most prevalent in the national context. Examples of DFL competencies can be:

- Managing personal data and privacy;
- Understanding terms and conditions of digital financial product, included all costs and related risks;
- Comparing information, terms and conditions and associated costs of different DFS providers.

4. Reflect DFL objectives in consumer protection policies and regulations.

In order to reflect the increasing role and peculiarities of DFS, it is important for regulators to consider undertaking relevant adaptations/reforms to existing DFS and consumer protection regulations, and integrate DFL relevant provisions. For example, this can mean:

- Regulators could include DFL indicators in diagnostic frameworks, supervision or complaint registers to facilitate data collection;
- Consider issuing guidelines/directives on consumer protection and DFL for DFS providers (see more examples in the Supply side section).

5. Incorporate DFL in NFES and/or NFIS.

A defined national DFL strategy provides a guide for the systematic implementation of DFL with a centralized oversight for tracking progress, bringing stakeholders together and effectively using available resources effectively. To this end authorities could consider the following:

- Where there is an existing NFES or NFIS (with provisions on financial education), DFL provisions should be reviewed and integrated within the wider strategy. The periodical reviews of these national strategies and underlying action plans provide a suitable opportunity to integrate DFL provisions.
- For countries that are in the process of drafting their NFIS or NFES, it is important to incorporate DFL objectives and provisions in the drafting process and ensure the buy-in of relevant stakeholders in pre-formulation and formulation phases (see AFI DFL Toolkit for further recommendations).

CASE STUDY

DFL in the national strategy of Uganda



Bank of Uganda is implementing its second National Strategy for Financial Literacy 2019-2024. In support of Objective Four of Uganda's NFIS (build financial infrastructure for efficiency) and driven by the rapid expansion of DFS in Uganda (largely driven by mobile financial services), there is a special provision for DFL in the second strategy that is expected to be streamlined across all target groups. The issue of DFL is spread across different working groups that concern women, youth, rural areas, and special interest groups. In the future, DFL will be coordinated by the working group on special interest groups (alongside children, people with disabilities, and refugees and migrants).

6. Ensure effective multi stakeholder coordination and participation.

The implementation of DFL initiatives at the national level requires the participation of a different actors within and outside the financial system, including the private sector and civil society. Multi stakeholder approach is crucial in ensuring a wider reach of DFL interventions, through the efficient mobilization of skills, resources, and delivery channels among others. Authorities should consider:

- Identifying, mobilizing, and coordinating all relevant stakeholders in the design and implementation of the national DFL strategy.
- Ensuring that there is a well-defined governance structure with defined roles, responsibilities and reporting within the identified stakeholders to ensure effective collaboration for maximum impact. Authorities can employ relevant regulatory tools including directives, moral suasion, and incentives to facilitate the active participation of DFS providers and industry groupings within the wider stakeholder ecosystem.
- Mobilizing and building synergies with relevant civil society organization and NGOs in financial education and financial inclusion. Among other benefits, such organizations could bring on board specialized data, expertise and outreach channels to reach the last mile and most vulnerable segments.
- Involving relevant development partners such as Non-Governmental Organizations (NGOs), Development Finance Institutions (DFIs) multi and bi-lateral organizations to explore avenues for financial and technical assistance in the development and implementation of the DFL strategy.
- Establishing multi stakeholder information sharing and knowledge management framework to facilitate data collection, and knowledge sharing between stakeholders for effective design, implementation and monitoring of the DFL strategy.

7. Define DFL strategy to be relevant for the local DFS market and expected developments.

When developing the DFL strategy, authorities should consider the level of maturity and local realities of the DFS market, and its projected development, including new products and services, emerging risks, expected challenges and barriers, and most vulnerable target groups. This should be reflected in the definition of core competencies, key indicators, targeted segments and expected outcomes.

CASE STUDY

Multi stakeholder coordination for DFL objectives in Portugal



The National Council of Financial Supervisors (CNSF), comprising Banco de Portugal, Comissão do Mercado de Valores Mobiliários - CMVM (Portuguese Securities Market Commission) and Autoridade de Supervisão de Seguros e Fundos de Pensões - ASF (Insurance and Pension Funds Supervisory Authority), established the remit of the National Plan for Financial Education (the Plan) in 2011, with an initial time horizon of five years. Recognizing the growing importance and complexity of DFS and products on the market, the next five-year plan (2016-2020) was approved in 2016 and included financial education through digital channels as one of its main pillars. At the same time, the Plan included DFL as one of its core priorities - to deepen knowledge and skills in using DFS through:

- To raise awareness on DFS and the rules to follow in using them safely.
- To raise awareness on the risks of using DFS, namely in terms of easier access to credit and impulse buying. The National Plan's intervention aims to continue to track technological change as use of DFS grows. The Plan recognizes the benefits of the services to consumers, but also the security risks and possible inappropriate behaviors, thereby requiring strengthened communication and financial education initiatives dedicated to the topics of DFS. The central bank of the country, Bank of Portugal, included DFL as one of its goals in the Strategic Plan 2017-2020.

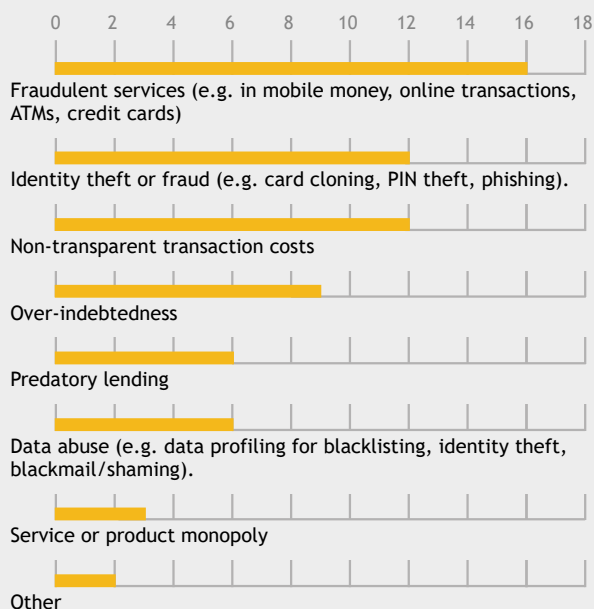
2 SUPPLY-SIDE CONSIDERATIONS FOR DFL PROVISION

RATIONALE

The ever-increasing complexity of digital products and services continues to create challenges for regulators and policymakers with the growing incidence of consumer risks.

Inappropriately designed and non-transparent products, lack of disclosure and transparency on the costs and conditions, absence of financial literacy component within the product design; inappropriate behavior by FSPs, including predatory lending, miss-selling of products and unethical debt collection strategies, as well as risks such as identify fraud or theft and fraudulent services, have been identified as most common DFS-related consumer protection risks across AFI network and underscore all limited consumer awareness and understanding within the growing DFS market (see Figure 3).

FIGURE 3. MOST COMMON DFS-RELATED CONSUMER PROTECTION RISKS WITNESSED ON AN EXTENSIVE SCALE IN THE PAST 36 MONTHS ACROSS AFI NETWORK (number of respondents)



There are also new types of risks associated with the business models and operations of DFS providers, which necessitates targeted DFL interventions for consumers. For example, the use of alternative and big data allows DFS players to improve business decisions, provide more tailored products and services, lower the costs,

assess and adapt to the risk profile of the customer in real time. However, this business model has implications for consumers' data privacy and protection, including but not restricted to fraud, identity theft, loss of privacy, profiling, exclusion, inaccurate credit scoring and insurance underwriting, data breaches and loss of consumer trust among others.

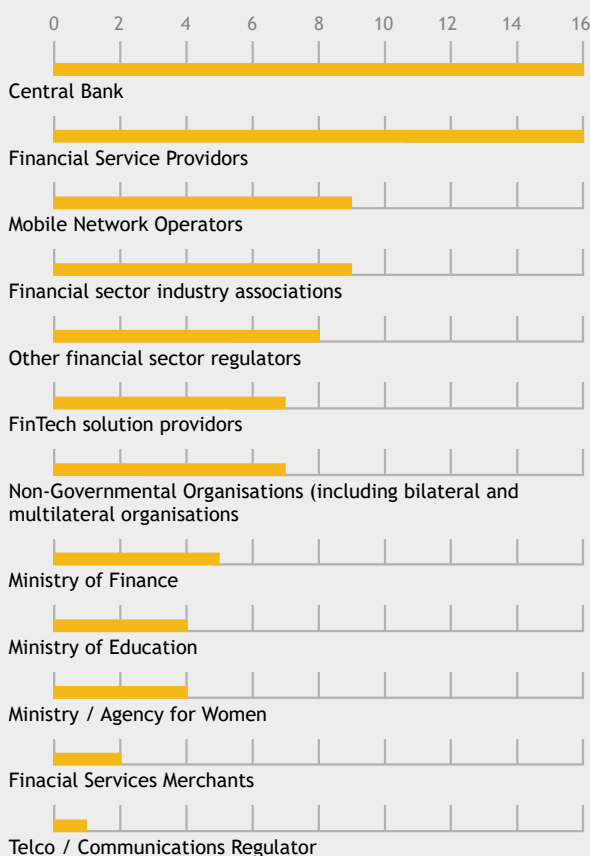
BOX 2

INVOLVEMENT OF DIFFERENT STAKEHOLDERS IN DFL PROVISION



DFS providers play a crucial role in the implementation of DFL initiatives. According to AFI DFL survey, in 53 percent of responses, both the central bank and FSPs were reported to undertake DFL initiatives, followed by mobile network operators, financial sector industry associations, other financial service regulators, FinTech providers (23 percent), non-governmental organizations, with other stakeholders reported less frequently (see Annex 1 for details). Financial education provided by private sector stakeholders most commonly concerns information about their products, however, sometimes it also goes beyond and covers broader aspects of DFL, such as the prevention of fraud.

FIGURE 4. STAKEHOLDERS INVOLVED IN DFL PROVISION ACROSS AFI NETWORK (out of 30 respondents)



Nonetheless, DFS providers are best positioned to facilitate DFL through their existing marketing interventions, channels, and direct reach to consumers. Regulators can play a crucial role in facilitating the active engagement of DFS providers in the implementation of DFL interventions within the jurisdiction.

KEY RECOMMENDATIONS

The following recommendations are relevant to the design and delivery of DFL interventions from the supply-side perspective:

1. Engage with industry associations, DFS providers and other stakeholders.

Taking into account the limited resources, capacity and outreach channels available to the regulators, it is crucial to leverage on the experience and activities of DFS providers in the delivery of DFL interventions.

- Identify, mobilize and engage relevant industry associations and DFS providers in the design and implementation of the DF strategy.
- Consider including strategic industry associations or DFS providers to the governance framework to encourage commitment, ownership and leadership.
- Ensure that the private sector's contributions to the national strategies are being reported and captured in the monitoring and evaluation structures.
- Encourage stakeholders to build synergies between their individual interventions and agreed targets/ objectives for the national DFL strategy.

2. Foster timely reporting between relevant stakeholders.

Authorities should establish system/mechanisms to facilitate timely communication and reporting on interventions, results, insights, and resources, among others. This will encourage learning, facilitate monitoring and evaluation, and minimize, if not prevent, the duplication of efforts. A combination of online and offline mechanisms is encouraged to allow for sufficient reporting channels.

3. Create DFL guidelines for DFS providers and private sector stakeholders.

To harmonize the provision of DFL across the industry, regulators can consider creating guidelines (including directives) for private sector players to guide their interventions within the DFL scope.

These guidelines can include:

- Establishing relevant codes of conduct and promotion of good practices to limit and manage potential conflict of interest in DFL interventions by providers.

- Providing recommendations on how to incorporate DFL in product advertisements and marketing campaigns and contribute to industry wide DFL programs.
- Encouraging DFS providers to promote unbiased content on DFL, including through industry-wide consumer awareness interventions. Specifically, the regulators can:
 - > Develop standardized format of information or educational modules/materials on thematic issues of concern/interest to the objectives of the national DFL strategy.
 - > Design (in consultations with the stakeholders) key principles/standards for the development DFL materials and the implementation of interventions, such as impartiality, transparency, consumer-centric gender, age, and inclusion sensitivity, etc.
 - > Provide guidance on complaint handling for DFS clients with the focus on increasing clients' DFL and facilitating data collection to inform interventions.
 - > Adopt specific guidelines on personal data protection of DFS users (including limiting the use of data to create consumer profiles).
- Considerations on the use of moral suasion to encourage the participation and commitment of providers to the wider national DFL strategy or objectives.
- Considerations on the use of innovative incentives to encourage providers to support the implementation of DFL interventions.
- Integrating DFL into relevant policy instruments around DFS, financial education/literacy and consumer protection measures.¹¹
- Adopting existing industry frameworks, such as this AFI Guideline note on DFL and the OECD/INFE (2014) on the involvement of private and non-profit stakeholders in financial education that address the issues of code of conduct for private sector stakeholders in financial education delivery. Such considerations can be included by regulators in their relevant DFL guidelines and promoted to DFS providers.
- Making sure that the national DFL objectives are well communicated, understood and promoted among DFS providers and other stakeholders. To this end, the regulators can make use of periodic engagements with industry players and DFS providers.

4. Mandate product disclosure & transparency and encourage ethical behavior by DFS providers.

Building consumer trust in DFS is one of the key aspects of a sound consumer protection framework. To this end, regulators should mandate the full disclosure and transparency around a product's features, terms and conditions, in order to facilitate consumers' awareness

CASE STUDY

DFL guidelines for private sector in Nigeria



Enhancing DFL is one of the core objectives within the framework of the NFIS in Nigeria. The leading institution of the strategy, the Central Bank of Nigeria has undertaken the effort to develop the Digital Financial Literacy Guide that would provide a framework for DFL interventions undertaken across DFS industry, including all DFS providers. The Guide will include standards that will have to be adopted by FSPs.

and understanding of different types of DFS. Moreover, regulators should communicate/disclose (e.g. via websites, or periodically via social and traditional media) approved and blacklisted DFS providers, permissible digital services/products, etc.¹²

Efforts on DFL should stress how important it is that this information is not only readily available, but also accessible, comprehensible and usable by financial consumers. For example, product comparison applications and/or websites are an excellent example of this.

CASE STUDY

Digitalization of financial education by Home Credit Group



Home Credit Group (HCG) is using different digital tools and channels to promote DFL, including mobile games, digital podcasts, online cartoons, calculators and other digital resources, for a variety of target audiences that go far beyond their actual client base, including children, youth, women, and people living with disabilities. Digitalization of financial education activities has made financial education interventions more scalable, resource-efficient and has significantly increased the outreach. At the same time, the company has found that combining the delivery of the digital product with the element of offline touch (such as a follow-up phone call to discuss the loan conditions the next day after the credit agreement was concluded) reduces the risk of fraud and lowers the overall risk of the portfolio. HCG also underscores the importance of partnering with local NGOs and community groups to reach the vulnerable groups. It is important to note that even though DFL activities are often implemented in cooperation with sales and marketing department, they are managed by and come from CSR and external affairs budgets. Such approach ensures a more sustainable approach to DFL interventions.

¹¹ AFI (2020) Policy Model on Consumer Protection for DFS https://www.afi-global.org/sites/default/files/publications/2020-10/AFI_CEMC%2BDFS_PM_AW2_digital.pdf

¹² Ibid.

3 GUIDANCE ON DEMAND-DRIVEN DESIGN AND DELIVERY OF DFL INTERVENTIONS

RATIONALE

The challenges and risk of DFS are exacerbated by the fact that financial consumers may not have the financial and digital skills to use these products and services, and to understand the new risks they may be facing. Demand-side challenges - such as limited financial literacy and limited awareness of DFS by 87 percent of surveyed authorities, poor perception of DFS (including trust and credibility issues) by 60 percent, overall low usage of financial services and perceived complexity of DFS by 53 percent - were reported as the most critical challenges in national contexts. While recent advancements in financial inclusion are underpinned by the rapid rise of DFS, usage continues to lag behind adoption in countries across the AFI network, which can indicate low consumer awareness, understanding and trust in these services.

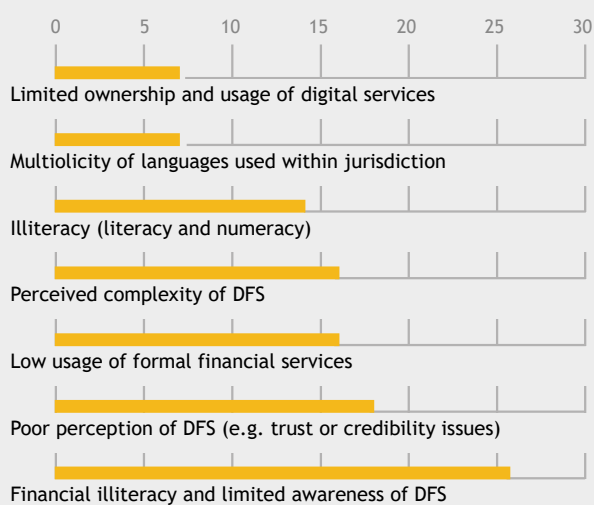
Basic literacy and numeracy also remain a key challenge in almost half of the responding countries to the AFI DFL survey. This was further confirmed by the in-depth interviews with AFI members. Similarly, a recent GSMA report (2020) found that, among mobile users who are aware of mobile internet, a lack of literacy and digital skills continues to be the main barrier to use, followed by affordability.¹³ Another challenge is connected to multiplicity of languages used within jurisdictions, pointing to the need to produce and/or adapt DFL content to various population groups.

Emerging innovations and the growing complexity of DFS continue to expose consumers to new types of risks, which are most prominent for vulnerable population groups. These risks include over indebtedness digitally delivered credit, high customer vulnerability to phishing schemes, social engineering scams, account hacking attacks, data and identity theft, among others.

In this environment, regulators and policymakers are increasingly taking up the design and delivery of DFL programs and initiatives, such as awareness campaigns to ensure the provision of transparent, impartial and marketing-free information. This growing trend is confirmed by experiences within the AFI network - 30 percent of respondents (regulators) conduct public awareness campaigns on DFL, while in 17 percent they

support other government agencies in their public outreach, and in two cases, support non-governmental stakeholders in their public outreach (see text box below). The use of the effective and appropriate content, target group, tool, choice of timing, and delivery channels are crucial to ensure effective DFL interventions and programming. The following recommendations aim to support regulators to design and deliver effective DFL campaigns for the selected target populations.

FIGURE 5. DEMAND-SIDE CHALLENGES TO DFL ACROSS AFI NETWORK (out of 30 respondents)



BOX 3

NON-REGULATORY DFL ACTIONS UNDERTAKEN BY REGULATORS ACROSS AFI NETWORK AND THEIR EFFECTIVENESS



To respond to emerging challenges, regulators in the AFI network are increasingly undertaking DFL interventions that originally fall outside of their regulatory mandate. There is no uniform approach to this. While some regulators prefer to develop their own public awareness campaigns on DFS, in other jurisdictions, regulators support other stakeholders in their DFL outreach instead of developing their own campaigns and focus on other impact activities such as data collection. The internal availability of financial, human resources and capacity, strategic and political priorities, as well as institutional mandates, are some of the factors influencing the selected approach.

¹³ GSMA. 2020. State of the Industry Report on Mobile Money.

FIGURE 6. NON-REGULATORY ACTIONS UNDERTAKEN BY REGULATORS ACROSS AFI NETWORK
(out of 30 respondents)



In terms of delivery channels, both traditional and digital channels can be used to deliver DFL content. The AFI network survey has shown that SMS/text messaging campaigns, social media campaigns, mobile applications, and trainings at workplaces and schools are among the most common delivery channels used by the members. Other channels, such as radio and TV, Interactive Voice Response (IVR), automated messaging and email campaigns, are less frequently used, as well as communication via community/ grassroot organizations. DFL promotion via the school curriculum has only been mentioned as a widely used channel in three countries (Jordan, Solomon Islands, and Philippines).

Despite the importance of evaluation to gain insights into the impact of DFL interventions on the consumer, more than 30 percent of respondents (11 out of 30 countries) of the AFI DFL survey do not measure the impact of their DFL interventions. For those who implement M&E activities, some of the methods used include the use of data from the front-line service providers such as Complaints Unit or Consumer Bureau (37 percent), periodic demand surveys (20 percent), behavioral change reviews (17 percent), and policy changes such as revisions or innovations to regulatory mechanisms such as SupTech (7 percent).

KEY RECOMMENDATIONS

1. Where possible, integrate DFL into existing financial education/financial inclusion programs.

Following the recommendation to integrate DFL in existing NFIS/NFES, authorities are encouraged to actualize this by ensuring that DFL interventions are integrated into financial education or financial inclusion interventions/programs targeted at consumers. Likewise in jurisdictions without existing NFIS/NFES, authorities could explore integrating DFL interventions/objectives in their standalone financial education and financial inclusion initiatives. This also includes incorporating DFL competencies in existing financial education curriculum in schools. Considering wider curriculum reforms and efforts to introduce financial literacy in the school curriculum are ongoing in many countries. This presents an untapped opportunity to support DFL for young people through the formal school curriculum.

2. Design well-defined DFL interventions for appropriate target group.

Interventions should be relevant to the needs and gaps of target populations, their levels of financial and digital literacy, the level of maturity of DFS market and the most prominent demand-side DFS-related consumer risks within the jurisdiction. To address the most prominent demand-side challenges, the following could be considered:

- Using appropriate language and presentation of materials in DFL interventions.
- Taking into account the multiplicity of local languages used within jurisdictions in the development and dissemination of DFL materials and interventions.
- Taking into account the relevant cultural and social norms present that can have an influence on the uptake and usage of DFS beyond knowledge and awareness dimensions, such as ownership and usage of digital devices (e.g. see section on Women).
- Addressing the issues of perceived complexity of DFS through innovative approaches and channels.
- Incorporating main demand-side driven constraints and relevant solutions into the training of staff delivering DFL interventions. For example, it can include gender and age-sensitivity trainings, or deployment of local language speaking staff.
- Using behavioral insights in the design of DFL interventions. This can include the use of case studies, teachable moments that are relevant to key DFL thematic issues.

These recommendations can be used for:

- > DFL programs/campaigns designed and implemented directly by the regulator;

- > DFL guidelines that regulators issue for private sector players to implement DFL campaigns/awareness programs (see the section on Supply side considerations);
- > DFL guidelines for industry associations that the latter can include in their code of conduct for the members.

3. DFL should be delivered through effective, appropriate and innovative channels.

The tools, channels and delivery methods should be carefully selected and be relevant and accessible to the identified target group and its DFL needs. For example, using digital channels (such as mobile applications, digital games and social media) to reach urban or in school youth (see the DFL Toolkit for further guidance on tools and delivery channels). In the use of these digital channels, it is important to consider factors such as the size of fonts and length of text (to ensure ease of reading), the size of mobile applications, video /graphic content (it can encourage/discourage download and sharing due to size of data), the language, length of and appropriate time to deploy (IVR) and automated messaging, among others.

4. Work in partnership with and support relevant stakeholders to reach targeted populations.

Identify key organizations/institutions with expertise in working with targeted populations to build synergies and partnerships for outreach to such populations. This should not be limited to organizations delivering financial inclusion/financial education interventions only. The objective should be to gain access to targeted populations. Hence, for organizations with no expertise in financial inclusion or education, authorities can either build their capacity to deliver DFL interventions or deliver the interventions with other organizations skilled in the delivery of financial inclusion/education.

5. Incorporate demand-side indicators in the monitoring & evaluation framework through the lifecycle of the DFL strategy.

It is important to conduct regular monitoring and evaluation of DFL interventions to inform the development, implementation and periodic update of the strategy and indicators. To this end, ensure that the M&E framework captures key demand-side baseline, targets and indicators to inform the development of the strategy and its periodic updates. M&E can be resource-intensive, hence, authorities could explore building partnerships with relevant organizations/institutions that generate relevant demand-side data in their operations to access timely and relevant data for the development and

CASE STUDY

Digital Literacy and Cybersecurity Awareness Program in the Philippines



Bangko Sentral ng Pilipinas (BSP), the central bank of the Republic of the Philippines, has planned the launch of Digital Literacy and Cybersecurity Awareness Program, in collaboration with industry associations and selected stakeholders. This program supports the BSP's policy priority of expanding the digital finance ecosystem by encouraging wide scale usage by consumers across all sectors. The underlying objective of the program is to increase trust and confidence in the security of digital payments and other technology-enabled financial transactions, especially in light of increasing options made available in the financial market. The program development was done in collaboration with USAID E-Peso Project team and in consultations with banking and FinTech industry association. The program was also informed by results of social media scanning conducted by Evident, a strategic communications firm with track record of creating integrated, evidence-based marketing and public relations campaigns. Evident was contracted by USAID E-PESO to create a communication plan and playbook, particularly on cybersecurity awareness. As the next step, the BSP will draft the Program Concept Note for comments by the industry. It will define the proposed roles and responsibilities of key stakeholders and suggest general themes/key messages. The communication plan and playbook are envisioned to form part of the messaging.

implementation of the DFL strategy. To this end:

- Institute mechanisms to facilitate the collection of disaggregated data of target populations.
- Provide guidance on data collection, monitoring and evaluation to implementing partners - to ensure a harmonized approach in implementing the M&E framework.
- Conduct mid-term evaluation in the case of multi-year strategies to assess midterm progress and inform update of the DFL strategy to address gaps and respond to challenges in the first half of the strategy cycle.
- Conduct final/post-implementation evaluation to assess the impact of the strategy among others.
- Ensure that the results of the evaluation of DFL strategy are communicated to stakeholders, higher level management of the lead and implementing institutions, (funding) partners, donors as well as and general public. Communication around the results achieved during the implementation period can be used to enforce and strengthen existing partnerships and promote the importance of DFL in the national financial education/financial inclusion agenda.

4 GUIDANCE ON CROSS CUTTING ISSUES

TARGET GROUPS FOR DFL INTERVENTIONS

DFS have been a powerful tool to facilitate the financial inclusion of previously underbanked or unbanked segments, including the most vulnerable and marginalized groups. At the same time, the inherent vulnerabilities associated with these populations can expose or deepen their susceptibility to DFS-related consumer protection risks. Such vulnerabilities can be socio-economic factors such as low incomes, limited socio-economic opportunities, and also include inherent characteristics of these populations such as gender, age, socio-economic status and income levels, geographical location, ethnicity or nationality, status in the country, existing disabilities, among other factors.

As is the case with NFIS,¹⁴ a DFL strategy should convey a strong, clear and succinct message about the focus areas and target groups considered most relevant for the interventions. Underlying diagnostic studies and mapping of existing stakeholders and interventions should inform the prioritization of target groups that are most in need of DFL interventions. The recommendations below aim to support policymakers to select the most vulnerable target groups in need of DFL, as well as highlight specific demand-side challenges and recommendations for some of the most relevant groups - namely women, youth, and migrants/refugees/IDPs.

KEY RECOMMENDATIONS

- Selection of target population should be based on underlying diagnostic studies. Inherent vulnerabilities of the group, as well as its size and importance in the local context, should be considered when selecting the group (for example, countries with significant proportion of population being youth or informal sector would need to prioritize such segment).
- Any identified target group for DFL interventions is not homogenous, hence the need for further segmentation of data to identify particular vulnerabilities, risks and appropriate DFL tool and delivery channels (for example, all women in the country cannot be treated as homogenous group as factors, such as socio-economic status, education level, or ethnicity/cultural affiliation influence different levels of vulnerabilities). Thus, it is important to leverage on in depth analysis of demand side data as well as the expertise of relevant stakeholders for effective segmentation and targeting.

- Explore opportunities for disaggregated data on targeted vulnerable populations (example such as data on uptake, usage, complaints, risks etc.) from the operations of relevant/related stakeholders within the DFS ecosystem. Example; in the development of DFL strategy for urban youth, beyond DFS providers (such as mobile money, digital credit and crowd funding platforms/providers) you could explore opportunities for further relevant disaggregated data from sport betting, online games and music platforms.
- Include representatives of the target populations into consultations for the development of DFL strategy/program. This can be done through the public consultation processes, interviews, focus groups or qualitative research.

Engage relevant stakeholders and gate keepers with natural access targeted vulnerable groups. For example, Ministry of Education for access to in school youth, refugee council for IDPs/refugees, religious and community based organizations for access to women.

BOX 4

DFL TARGET GROUPS ACROSS AFI NETWORK



Among the respondents of the AFI DFL survey, women (60 percent), older youth (57 percent), MSMEs and merchants (57 percent), and rural communities, are the most prioritized population segments for DFL interventions. They are followed by other groups, such as younger youth, lower income groups, and working population/employees. Only six countries prioritize DFL interventions for forcibly displaced people and undocumented migrants, three countries prioritize older population, and one country prioritize diaspora members abroad (see Annex for further details).

1. Youth

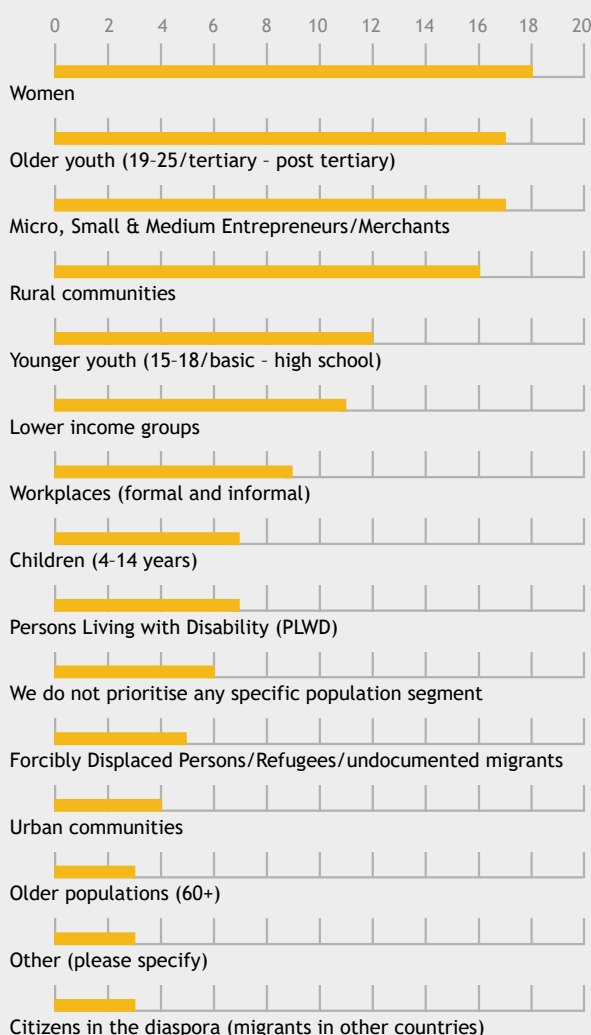
RATIONALE

While young people continue to be disproportionately financially excluded (only 56 percent of those ages 15-24 have a bank account¹⁵), technological innovations present a unique opportunity to include them in the formal financial system using digital channels. They are often referred to as “digital natives” and they have access to and are proficient at using digital devices progressively earlier in life.

¹⁴ AFI (2016) National Financial Inclusion Strategies Toolkit. Guideline note No.20 August 2016.

¹⁵ Global Findex (2017).

FIGURE 7. POPULATION SEGMENTS MOST COMMONLY PRIORITIZED IN DFL INTERVENTIONS ACROSS AFI NETWORK (out of 30 respondents)



Evidence from Sub-Saharan Africa shows that young people have a better understanding of how to use DFS,¹⁶ compared to adults. They are particularly familiar with technology and have a high capability to adapt to new digital platforms. Moreover, youth-owned enterprises seem to be increasingly adopting several digital finance and business solutions.¹⁷ However, studies from Ghana, Senegal, Uganda, and Zambia¹⁸ show that despite young people being very aware of DFS, this awareness does not necessarily translate into usage, and limited DFL was found to be one of the contributing factors to youth's DFS inactivity.

KEY RECOMMENDATIONS

- Use digital channels, including online/social media, games and edutainment to reach youth with DFL interventions;

- Use youth-friendly language in communication campaigns;
- Consider using celebrity/social media influencers as endorsers in DFL campaigns;
- Encourage DFS providers to develop relevant products with an integrated and engaging digital financial education content for youth;
- Engage with the Ministry of Education on integrating DFL competencies in ongoing financial education efforts/curriculum integration;
- Use behavioral insights such as teachable moments (i.e. taking first education loan, opening first savings account, etc.) to take full advantage of learning opportunities;
- Encourage DFL interventions that address understanding, knowledge and risks of a wide range of DFS that is relevant for targeted youth-segments per available evidence. Example digital credit, cryptocurrencies etc.

CASE STUDY

Digital financial education for youth in Portugal



Bank of Portugal's Strategic Plan for 2017-2020 establishes DFL as one of its strategic goals, with a special focus on the youth. Youth were selected as the main target group, as they are technologically savvy, are current and prospective users of DFS, and are active users of digital technologies. At the same time, young people are relatively unconcerned of the risks that online/digital technologies are posing. Moreover, as global financial education experience has shown, effects of financial education on youth has a spillover effect on adults, including teachers and parents.

The campaign #TopTip (5 tips for staying safe online) is aimed specifically at young people and informs them of precautions to take when using digital channels. A printed brochure with #toptip recommendations was distributed to all secondary schools and school libraries across the country, and face-to-face training sessions took place in schools, complementing the use of digital channels such as the Bank Customer Website. The Bank is implementing other DFL activities, such as online awareness campaigns (via Bank Customer Website), distribution of leaflets, booklets and other materials, training sessions and seminars at schools, and engagement with the media. These activities also target adult and senior populations that are less comfortable with digital channels.

¹⁶ World Bank (2018) Banking on the Future: Youth and Digital Financial Services in Sub-Saharan Africa.

¹⁷ Ibid.

¹⁸ International Finance Corporation (2018) Banking on the Future: Youth and Digital Financial Services in Sub-Saharan Africa. Field Note 9.

2. Women

RATIONALE

While countries around the world are stepping up efforts to close the financial inclusion gender gap, women around the world still lag behind men in access to formal financial services, as well as usage.¹⁹ In relation to DFL, the following are some of the relevant DFL challenges for women, specifically low income and rural women.

LOW LITERACY AND NUMERACY RATES.

Illiteracy continues to be an issue impeding women's access to formal finance, and it remains a barrier to digital access that affects women more than men worldwide.

DIGITAL DIVIDE.

Women have lower rates of ownership of mobile phones than men, and less access to (mobile) internet.²⁰ Globally, women are on average 20 percent less likely than men to have a smartphone, and in many countries have less autonomy and agency in smartphone acquisition.²¹ In South Asia and Africa these proportions stand at 70 percent and 34 percent, respectively.²² Women are also 20 percent less likely to use mobile internet and use smaller range of mobile services.²³ Moreover, in terms of DFL and DFS usage, access means more than just having a mobile phone - it includes quality network coverage and connectivity, access electricity, availability and access to agents, formal ID/KYC requirements. Moreover, access does not necessarily mean control - the ownership of the mobile device does not mean that the women are empowered, or even allowed to use it.

SOCIAL NORMS AND SOCIETAL BARRIERS.

As previously underlined in AFI publications,²⁴ socio-cultural factors associated with the status of women in the community continue to be barriers for financial inclusion. For example, social norms can influence women's mobility, impeding her access and usage of technologies, while societal barriers can also include legal barriers codified into national laws. Access does not necessarily mean control for women - for example, the ownership of the mobile device does not mean that women are empowered, or even allowed to use it. At the same time, DFS can also be an enabler for women's financial inclusion, allowing them to work around existing social norms.

LIMITED FINANCIAL LITERACY.

Digital technologies have the potential to accelerate women's financial inclusion, if the risks associated with their use, including financial capability and consumer

protection, are sufficiently managed. A survey of AFI members in 2017 showed that financial literacy is perceived by 75 percent of survey respondents to be the top barrier to women's financial inclusion.²⁵ Limited awareness and understanding of basic financial services and concepts present challenges to further understanding of more complex DFS.

KEY RECOMMENDATIONS

- Encourage DFS providers to appropriately design products with women needs and local social norms in mind and integrate a strong DFL component.
- Create partnerships with relevant stakeholders, such as government agencies concerned with women affairs, civil society organizations and gender experts to facilitate outreach and develop relevant gender-sensitive content.
- Encourage/incentivize the use of female role models/community leaders and female staff in the delivery of DFL interventions.
- Require DFS providers to report gender disaggregated data, for example on complaint/resolution disputes, product uptake, awareness raising/education interventions, etc.
- Support staff tasked with the promotion of financial education/DFL, as well as other stakeholders, including DFS providers, with gender-sensitive capacity building to better understand particular vulnerabilities of women in general, various sub-segments of women, specific challenges and how to integrate those in gender-sensitive DFL delivery.
- Use behavioral insights, for example focus on teachable moments, such as when women are receiving government payments, receiving remittances, or purchasing financial products and services.
- Consider the engagement of female DFL advocates, especially in communities with stringent gender-based norms and values.

19 World Bank (2017) Global Index.

20 Rowntree, O. and Matthew, S. 2020. The Mobile Gender Gap Report, GSMA, London.

21 GSMA. 2020. The Mobile Gender Gap Report 2020 <https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2020/05/GSMA-The-Mobile-Gender-Gap-Report-2020.pdf>

22 OECD. 2018. Bridging the digital gender divide: include, upskill, innovate.

23 Ibid.

24 See, for example https://www.afi-global.org/sites/default/files/publications/2020-06/AFI_WFI_DFS_SR_ISBN_digital.pdf

25 https://financialallianceforwomen.org/wp-content/uploads/cma_attachments/1.550673702E+12_AFI2017_Gender_full_AW2_digital.pdf

CASE STUDY

DFL for women in Bangladesh



Bangladesh Bank is working with other sector players to improve women participation by increasing their understanding of DFS targeted at them and further building trust in the financial system by spearheading the development of women-friendly services. The organization developed a Web-link titled “Financial Literacy”. The Web-link contains storybooks, games, videos, texts, financial calculator, products and information on delivery channels. Bangladesh Bank has a joint collaboration with the Ministry of Education for financial literacy programs in the school and colleges, upon which they could build DFL initiatives.

3. Migrants and refugees

RATIONALE

According to UNHCR, the number of forcibly displaced people globally is now highest on record. Migrants, refugees and IDPs face a number of socio-economic challenges, including housing, employment, access to education and healthcare, discrimination, etc. At the same time, these groups are further being disproportionately impacted by the current global pandemic (COVID-19), given their high potential threat of exposure to the virus and its subsequent socio-economic repercussions.²⁶ The rise of DFS provides opportunities to financially include and economically empower these groups. However, many areas continue to experience low penetration and adoption rates, due to limited digital skills and financial knowledge and awareness.

KEY RECOMMENDATIONS

- Expand DFL efforts with content on relevant digital products and services, such as remittances services, associated products such as savings accounts, or cross-border payments;
- Use teachable moments, such as pre-departure orientation, sending/or collecting remittances, etc.
- Engage diaspora communities, government and civil society stakeholders in host countries for DFL provision/delivery;
- Consider expanding DFL outreach to families of migrants/remittances recipients;
- Use digital networks and media used by migrants to spread DFL outreach.

CASE STUDY

Digital financial literacy for refugees in Jordan



DFS is one of the three core pillars of Jordan’s NFIS 2018-2020 and enhancing financial literacy intersects with all NFIS components as a major key to financial inclusion. Providing the refugees and non-nationals with access to DFS is one of Jordan’s commitments to AFI’s Maya Declaration, and actions under this commitment are being implemented by several stakeholders, including international donors. Digi#ances is a GIZ project that aims to enhance access to digital cross-border remittances and other digital financial services in Jordan. Main intervention area under this project is improving financial awareness and designing financial awareness campaigns to promote responsible usage of DFS. Under the Digi#ances Program, a mass reach campaign, ToT programs, and other training courses are provided to target groups of the project, low-income Jordanians and Syrian refugees. Refugees are the main focus under this group to financially enable them to achieve the financial impact needed through DFS.

4. DFL in crisis and emergency response

RATIONALE

Recent situations of large-scale crisis, from natural disasters, national or regional conflict to global health crisis, has witnessed the deployment of DFS as an emergency response tool. Facilitating financial transactions and distribution of welfare stipends when movements and use of traditional infrastructure are limited/inhibited.

As the ongoing COVID-19- global pandemic has amplified, DFS solutions have been central in the responses of both government and financial sector. National lockdowns, curfews, restrictions on physical services and infrastructure and social distancing have further accelerated the adoption and usage of DFS. The COVID-19 crisis has shown that emergencies have the tendencies to compel the adoption and usage of DFS by vulnerable segments, such as informal workers, women, elderly and MSMEs.²⁷ This further exacerbates vulnerabilities from existing inequalities such as general and digital literacy, access to digital device or internet, financial capability, etc. Hence it is important to ensure

²⁶ UNHCR 2020, *Livelihoods, food and futures: COVID-19 and the displaced*. <https://storymaps.arcgis.com/stories/4b999f79628644df84ccb7c10a9edd9e>

²⁷ AFI (2020) policy framework for leveraging digital financial services to respond to global emergencies - case of covid-19.

that already disproportionately excluded segments such as women and youth, are not left behind during the crisis.²⁸ In these realities, enhancing DFL is becoming a crucial task for regulators and FSPs to minimize possible consumer protection risks, sustain gains made in financial inclusion and ensure financial stability

KEY RECOMMENDATIONS

- Launch awareness campaign, informing population on mitigation measures, available support schemes, consumer protection issues, complaint and redress mechanisms, and possible risks.
- Engage with DFS providers by promoting guidelines on responsible business conduct and stepping up efforts in increasing public awareness on relevant risk issues and mitigation measures.
- Ensure emergency interventions are aligned with the consumer protection principles for DFS (see AFI's Policy Framework for Consumer Protection for DFS).

CASE STUDY

Addressing increased incidents of online fraud in Belgium



During the first outbreak of COVID-19, the Financial Services and Markets Authority (FSMA) of Belgium launched a campaign against online investment fraud. Partly due to the coronavirus crisis, the risk of encountering such fraud had increased. The campaign was conducted via Facebook and Google, because the victims were often contacted via social media, and it was intended to warn potential victims about offers that sounded too good to be true. The anti-fraud section of the FSMA website was also updated. Visitors could, among other things, take a short online test to determine if an offer they had received was fraudulent. The test consisted of nine quick questions and gave an indication of the risk of fraud.

CONCLUSION

Advancing the DFL of population is crucial to enhance access to and usage of quality formal financial services and preserve financial inclusion gains.

The recommended key policy considerations for (i) legal, regulatory and policy environment, (ii) supply/ provider side, (iii) Demand-driven design and delivery of DFL interventions will provide the requisite guidance to regulators and policymakers in entrenching DFL within related financial inclusion national strategies and consumer protection frameworks.

This is particularly important for a post COVID-19 era, where DFL is critical to sustain the unprecedented growth in the use of DFS necessitated during the pandemic. At the AFI level this knowledge product will support capacity building interventions on DFL.



Complementary to this Guideline Note, read AFI's Digital Financial Literacy Toolkit (2021).

[> View here](#)

²⁸ Sahay, von Allmen, Lahreche, et al. (2020). The Promise of FinTech. Financial Inclusion in Post-Covid-19 Era

ANNEX

TABLE 1.
DFL POLICY/REGULATORY INTERVENTIONS IMPLEMENTED ACROSS AFI NETWORK TO ADDRESS THE DFS-RELATED CONSUMER PROTECTION RISK ISSUES

Regulations for DFS safety and security (e.g. financial consumer protection guidelines)	Afghanistan, Bangladesh, Burundi, Cambodia, DRC, Egypt, El Salvador, Honduras, Ivory Coast, Jordan, Mauritania, Nepal, Philippines, Sao Tome and Principe, Solomon Islands, South Sudan, Suriname, Thailand, Uganda.
Consumer rights and redress mechanisms/systems	Afghanistan, Bangladesh, Burundi, Costa Rica, Fiji, Honduras, Jordan, Nigeria, Papua New Guinea, Philippines, Sao Tome and Principe, Thailand, Timor Leste, Tonga, Tunisia, Uganda.
Engagement with FSPs and FinTech solutions providers (including directives) for improved outreach/consumer awareness on DFL	Bangladesh, Cambodia, El Salvador, Mexico, Philippines, Samoa, Suriname, Thailand, Timor Leste, Uganda, Vanuatu.
Policy/regulatory interventions planned (in draft)	Ivory Coast, Mauritania, Nigeria, Tonga.

TABLE 2.
INSTITUTIONS UNDERTAKING DFL INITIATIVES IN AFI MEMBER COUNTRIES

Central Bank	Papua New Guinea, Mauritania, Nigeria, Thailand, Timor-Leste, Egypt, Uganda, Burundi, El Salvador, DRC, Philippines, Afghanistan, Tunisia, Samoa, Vanuatu, Solomon Islands, Cambodia, Mexico.
Financial Service Providers	Papua New Guinea, Fiji, Nigeria, Bangladesh, Thailand, Nepal, Egypt, Uganda, Burundi, DRC, Philippines, Costa Rica, Tunisia, Jordan, Honduras, Vanuatu, Mexico.
Mobile Network Operators	Fiji, Ivory Coast, Nigeria, Egypt, Uganda, DRC, Jordan, Honduras, Vanuatu, Tonga, Morocco.
Financial sector industry associations	Thailand, Uganda, El Salvador, DRC, Philippines, Costa Rica, Tunisia, Suriname, Honduras, Mexico, Sao Tome and Principe.
Other financial sector regulators (e.g. Capital Market, Insurance, Pension, etc.)	El Salvador, Fiji, Nigeria, Thailand, Timor Leste, Egypt, Uganda, Costa Rica, Mexico.
FinTech solution providers	Nigeria, Timor Leste, Uganda, Egypt, El Salvador, Philippines, Honduras.
Non-Governmental Organizations (including bilateral and multilateral, e.g. UN system)	Fiji, Bangladesh, Thailand, Timor Leste, Tunisia, Jordan, Vanuatu.
Ministry of Finance	Ivory Coast, South Sudan, Bangladesh, Thailand, Egypt.
Ministry of Education	Ivory Coast, South Sudan, Jordan, Vanuatu.
Ministry/Agency for Women	Bangladesh, Fiji, Tunisia, Vanuatu.
Financial Services Merchants	Nigeria, Uganda.
Telco/Communications Regulator	Morocco, Uganda.
Other (please specify)	Centre for Excellence in Financial Inclusion (Papua New Guinea), Ministry of Economy (Costa Rica), GIZ, INJAZ, AlHussein Fund for Excellence (Jordan).

Source: AFI's Digital Financial Literacy Survey

TABLE 3.
NON-REGULATORY/POLICY ACTIONS UNDERTAKEN BY AFI MEMBERS TO PROMOTE DFL AT THE NATIONAL LEVEL

Public awareness campaigns on DFS	Afghanistan, Bangladesh, Thailand, Timor Leste, Uganda, El Salvador, Philippines, Jordan, Suriname, Honduras.
Supporting other government agencies in their public outreach (e.g. in technical resource)	Bangladesh, Egypt, Fiji, Costa Rica, Mexico.
Supporting non-governmental stakeholders in their public outreach	Bangladesh, Fiji.
Currently designing DFL campaign/ intervention	Nigeria, Samoa, Philippines.

TABLE 4.
POPULATION SEGMENTS PRIORITIZED IN DFL INTERVENTIONS IN AFI NETWORK

Women	Afghanistan, Bangladesh, Burundi, Costa Rica, DRC, Egypt, Fiji, Honduras, Ivory Coast, Jordan, Mexico, Nigeria, Sao Tome and Principe, South Sudan, Timor Leste, Tunisia, Uganda, Vanuatu.
Older youth (19-25)	Afghanistan, Bangladesh, Burundi, DRC, Egypt, Fiji, Honduras, Ivory Coast, Jordan, Mexico, Nigeria, Sao Tome and Principe, South Sudan, Thailand, Timor Leste, Uganda, Vanuatu.
MSMEs / Merchants	Afghanistan, Bangladesh, Burundi, Costa Rica, DRC, Egypt, Fiji, Honduras, Ivory Coast, Mexico, Nigeria, South Sudan, Suriname, Timor Leste, Tunisia, Uganda, Vanuatu.
Rural communities	Afghanistan, Bangladesh, Burundi, Costa Rica, DRC, El Salvador, Fiji, Honduras, Ivory Coast, Jordan, Mexico, Nigeria, South Sudan, Timor Leste, Uganda, Vanuatu.
Younger youth (15-18)	Bangladesh, DRC, Egypt, Fiji, Honduras, Ivory Coast, Jordan, Nigeria, Thailand, Timor Leste, Uganda, Vanuatu.
Lower income groups	Afghanistan, Bangladesh, DRC, El Salvador, Fiji, Honduras, Mexico, Nigeria, South Sudan, Timor Leste, Vanuatu.
Workplaces (formal and informal)	DRC, El Salvador, Fiji, Nigeria, South Sudan, Suriname, Thailand, Timor Leste, Uganda, Vanuatu.
Children (4-14 years old)	Bangladesh, Fiji, Honduras, Jordan, Nigeria, Tunisia, Uganda.
Persons Living with Disability (PLWDs)	Bangladesh, Fiji, Nigeria, South Sudan, Timor Leste, Uganda, Vanuatu.
FDPs/Refugees/undocumented migrants	Bangladesh, Fiji, Jordan, Nigeria, Uganda.
Urban communities	Afghanistan, Mexico, Timor Leste, Vanuatu.
Older population	Mexico, Timor Leste, Vanuatu.
Citizens in the diaspora (migrants abroad)	Timor Leste.
No specific segment is prioritized (yet)	Cambodia, Mauritania, Nepal, Papua New Guinea, Philippines, Samoa, Solomon Islands, Tonga.

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ACRONYMS AND ABBREVIATIONS

AFI	Alliance for Financial Inclusion
API	Open Application Programming Interfaces
ATM	Automated teller machine
BoU	Bank of Uganda
BSP	Bangko Sentral ng Pilipinas
CBN	Central Bank of Nigeria
CFI	Center for Financial Inclusion
DFL	Digital Financial Literacy
DFS	Digital Financial Services
FIGI	Financial Inclusion Global Initiative
G2P	Government-to-persons
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IDP	Internally Displaced Persons
M&E	Monitoring and evaluation
MSME	Micro, Small and Medium-sized Enterprises
NFES	National Strategy for Financial Education
NFIS	National Financial Inclusion Strategy
OECD/INFE	Organisation for Economic Co-operation and Development / International Network for Financial Education
PPP	Public-Private Partnership
SME	Small and Medium-sized Enterprises

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