Presentation on

Promoting Financial Literacy & Strengthening Financial Consumer Protection in Bangladesh

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**Financial Literacy: Definition**

**OECD’s Definition of Financial literacy:** a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being.
Why Financial Literacy Matters?

- It is globally recognized that financial literacy and financial inclusion with a robust consumer protection framework, are vital to the empowerment of individuals and the overall stability of the financial system.
- Research findings show that financial knowledge and behaviour tend to be positively correlated with income and education levels.
- Inadequate financial literacy is one of the major obstacles in access to finance in Bangladesh.
- Low level of financial literacy among the rural people has been the main reason for inefficient use of the financial services.
- COVID-19 pandemic has reassured the need for financial literacy (especially digital) since physical visit for financial services poses high risk of contagion.
- Financial literacy is not merely to create awareness; rather, it is a permanent process of ingraining knowledge on responsible financial services usage by individuals, households and businesses.
Goal 4: Promote Financial Literacy and Consumer Empowerment

Targets:
1) Formulate Financial Literacy Policy/Strategy by all financial sector regulatory bodies separately;
2) Formulate Consumer Protection Framework and Grievance Redress System by all financial sector regulatory bodies separately;
3) All regulated financial service provider will have annual program on financial literacy which will be monitored by respective regulatory body;
4) Take necessary initiatives with Ministry of Education to incorporate ‘Financial Literacy’ at all levels of education (Primary, Secondary, Tertiary);
5) Assess the feasibility of introducing consumer protection mechanism similar to ‘Deposit Insurance Scheme’ for banks.
1. Consumer Protection Measures taken by Bangladesh Bank

Bangladesh Bank always safeguards the interests of the depositors/customers of banks and financial institutions. With this view, BB has established a full-fledged department naming Financial Integrity & Customer Services Department (FICSD) in 2012 with the following objectives:

- To protect the interests of the customers related to Banks & Financial Institutions (FI) within the legal and regulatory frame-works;
- To redress the grievances of the customers and to attend the complaints received against Banks/FIs or its any official;
- To improve banker-customer relationship;
- To ensure the standard of customer-services of the Banks/FIs.

- BB Provided Guidelines for Customer Services & Complaint management for Banks and FIs in 2014
- Established a three-tier complaint management system in banks and FIs:
Consumer Protection Measures taken by Bangladesh Bank contd...

BB has its own institutional set-up, named Customer Interest Protection Centre that is using hotline number, email, fax and app-based complaint management system to address the grievances of the consumers.
Complaint Lodgegment Procedure

STEP-1: Customer need to report to the respective Branch of the Bank/Financial Institution first to deal the dispute.

STEP-2: If the Complaint is not resolved at the desk level, customer need to make a formal complain to the Complaint Cell of the respective Banks or Financial Institutions (FIs). All Banks/Financial Institutions licensed by Bangladesh Bank have set up Complaint Cell in their Head Offices as well as Zonal Offices to handle their customers' complaints.

STEP-3: Complaining to the FICSD of Bangladesh Bank

If the complaint is still unresolved or if the customer is dissatisfied with the decision, he/she can submit complaint to the FICSD of Bangladesh Bank providing:

• Details of the complaint (containing name, address, contact no. of the complainant)
• Copy of the letter from the respective Bank/FI stating its final decision about the complaint
• Copy of supporting other documents.
## Complaints handled by FICSD of BB as of June 2021

### Complaints dealt by FICSD: At a glance

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of Complaints Received</th>
<th>Resolved</th>
<th>Unsolved</th>
<th>Resolution Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2011 to June 2021</td>
<td>Over Phone</td>
<td>17,972</td>
<td>21,764</td>
<td>902</td>
</tr>
</tbody>
</table>

### Complaints Received & Resolved in Last 4 Years

![Graph showing complaints received and resolved for the past 4 years](image-url)
2. Financial Literacy Initiatives by Bangladesh Bank

Financial literacy is considered to be the essential tool for consumer empowerment. To empower individuals/group of peoples with necessary knowledge on financial matters and to make financial inclusion initiatives sustainable, BB has taken a number of Financial Literacy Measures. Such as:

• Different financial awareness campaigns like awareness raising campaign under different refinance schemes,, open credit disbursement program, arrangement of special fairs such as Banking Fair, SME Fair, Women Entrepreneur Fair etc. to build awareness and financial literacy among mass people;
• Distribution of brochures, flyers, pamphlets, leaflets, broadcasting television commercials, radio jingles, video documentary, advertisements in newspapers etc.;
• Countrywide financial literacy campaign named School Banking Conference targeting students under age of 18;
• Instruction to banks to increase the level of financial literacy among women entrepreneurs, agents and MFS agents.
3. Financial Education Initiatives by Bangladesh Bank

The NFIS-B reveals that the young and increasingly educated population provides a growing customer base for new financial services. Since more than 50% of the population is under the age of 35, Bangladesh has a great opportunity to accrue the benefit of demographic dividend. Now, if the education system can transmit fundamental financial skills to the younger generation to capacitate them with appropriate knowledge on financial system and financial matters, they can contribute to inclusive economic growth and sustainable development of the country.

Understanding this notion BB has taken strong initiative to include the financial literacy contents in the text books of the primary and secondary level.

✓ The National Curriculum and Textbook Board (NCTB) of Bangladesh is currently working on finalizing the curriculum for the Primary and Secondary level for education year 2023 and onwards. BB is working closely with the NCTB to incorporate the financial literacy chapters compatible to the text books for Primary and Secondary Level;
4. Striving for a Financially Literate Society

BB has identified Strengthening Financial Literacy & Financial Education Initiatives as an important core objective in its’ Strategic Plan for 2020-2024. Under this purview, BB recently drives for the Striving for a Financially Literate Society project. This project is financed by the Alliance for Financial inclusion and is expected to be completed by June 2022. The following three major tasks shall be accomplished under this project:

- Financial Literacy Guidelines (FLGs) for Banks and Financial Institutions;
- Development of Financial Literacy Web Portal that shall consists of interactive financial literacy materials;
- Production of financial literacy videos with special attention towards women, students, marginalized and low income people etc.

- Since Financial Literacy can sensitize people with knowledge and behavioral change in crafting choices between consumption and savings, the said actions are believed to be effective in financial decision making of the people.
- The COVID-19 pandemic has reassured the need for financial literacy especially digital financial literacy (DFL) so as to avail financial services avoiding the risk of contagion. Thus maintaining a well designed and enriched financial literacy web portal can serve as a digital financial literacy tool to assist people with proper information and knowledge on financial services and matters.
The FLGs provide both the definition of Financial Literacy and Digital Financial Literacy.

<table>
<thead>
<tr>
<th>Financial Literacy refers to the awareness and knowledge on financial matters and services that effectively facilitates the skills and behavior of an individual towards impactful financial decision that ensures personal well being as well as well being for the society as a whole.</th>
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</thead>
<tbody>
<tr>
<td>These guidelines adopting the Alliance for Financial Inclusion (AFI) networks’ definition of digital financial literacy (DFL) as acquiring the knowledge, skills, confidence and competencies to safely use digitally delivered financial products and services, to make informed financial decisions.</td>
</tr>
</tbody>
</table>

The key focus areas identified in the draft FLGs are as follows:

- Savings, borrowing and financial planning;
- Financial Product and access to financial services;
- Entrepreneurship;
- Financial system and participants;
- Payment system and Digital Transformation;
- Grievances redress mechanism and consumer protection.
## Target people set in the FLGs

The target people are divided into three separate Tiers based on the priority set on the guidelines. These guidelines assume to cover the target people within 7 years from the commencement:

<table>
<thead>
<tr>
<th>Tier-1 (1 to 3 yrs)</th>
<th>Tier-2 (4 &amp; 5 yrs)</th>
<th>Tier-3 (6 &amp; 7 yrs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Farmers and marginalized people;</td>
<td>a) Youths;</td>
<td>a) Teachers;</td>
</tr>
<tr>
<td>b) Students;</td>
<td>b) SMEs;</td>
<td>b) Co-operative Societies;</td>
</tr>
<tr>
<td>c) Micro-merchants/Retailers;</td>
<td>c) Wage Earners (RMG, Jute, Leather, Weavers etc.);</td>
<td>c) Business associations;</td>
</tr>
<tr>
<td>d) Women;</td>
<td>d) Physically challenged people and Underprivileged (Third gender, itinerant community, working teens);</td>
<td>d) All other vulnerable groups as identified time to time.</td>
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<tr>
<td>e) Migrant workers.</td>
<td>e) Social Safety Net beneficiaries.</td>
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*However, the financial literacy programs shall continue after these 7 years considering the growing customer base*
Programs and Means of Financial Literacy

These guidelines intend to provide financial literacy through Banks and Financial Institutions:

1. **General Financial Literacy Programs**: In-person/Face-to-face programs;

2. **Thematic campaign**: on topics such as: digital payment, e-banking, password protection, money laundering, borrowing, saving, remittance etc.

3. **Others**: essay completion, simulation game, street play etc.

<table>
<thead>
<tr>
<th>Communication Tools</th>
<th>Communication Channels</th>
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<tbody>
<tr>
<td>a. Booklet, Presentation, Info-graphics;</td>
<td>a. Training, Workshop, Seminar, Conference,</td>
</tr>
<tr>
<td>b. Flyers, Pamphlets, Leaflet, Brochure, Banner,</td>
<td>Symposium;</td>
</tr>
<tr>
<td>c. <strong>Advertisements (virtual/printed), Audio-visuals</strong>;</td>
<td>b. Electronic and print media;</td>
</tr>
<tr>
<td>d. Financial diary, Comics, Stories;</td>
<td>c. Road show, fair, Social gathering;</td>
</tr>
<tr>
<td>e. Quiz/essay competition;</td>
<td>d. Booth, Bill Board, Dashboard;</td>
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<tr>
<td>f. Live chat bots, street play, folk song;</td>
<td>e. Financial Literacy Corner;</td>
</tr>
<tr>
<td>g. Financial literacy game/Apps;</td>
<td>f. Mobile apps, web portal;</td>
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<tr>
<td>h. Financial Podcast, Newsletter;</td>
<td>g. Others</td>
</tr>
<tr>
<td>i. Simulation of Financial Services;</td>
<td></td>
</tr>
<tr>
<td>j. Others</td>
<td></td>
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</table>
Challenges to Implement Financial Literacy

- COVID-19 Pandemic;
- Lack of technological devices used by the target people;
- Lack of education/illiteracy;
- Lack of responsiveness of the Financial Literacy Providers (FLPs) such as Banks and FIs;
- Social and Religious Exclusion;
- Lack of coordination among stakeholders;
- Lack of Infrastructure and disinclination of resource allocation of the FLPs;
- Lack of data;
- Lack of capacity of the resource persons of the FLPs.
Recommendation and Way forward

- According to OECD, Financial inclusion, financial consumer protection and financial literacy polices need to evolve in parallel if they are to contribute to the financial well-being of the population and to inclusive growth;
- Public, private and non-profit stakeholders coordinated partnership in supporting and delivering financial literacy/education programmes to provide information about basic financial products (including digital ones) can contribute efficiently to increase awareness of related risks and more generally inform consumers of their rights and responsibilities in financial markets;
- Increasing use of digital tools, such as videos, apps are expected to be useful for delivering financial literacy among tech savvy young generations as well as adults;
- Data collection and development of integrated financial consumer protection and education frameworks to support financial inclusion;
- Use of digital financial services to improve financial inclusion while also addressing new challenges;
- Effective financial education delivery (including through digital tools); and
- Evaluating the impact of these initiatives on regular basis.
Thanks