FINANCIAL INCLUSION AND CONSUMER EMPOWERMENT IN SOUTHEAST ASIA

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Foreword

In recent years, financial inclusion levels have improved in all Southeast Asian countries, even though these levels remain relatively low in some countries. Financial literacy also remains low and financial consumer protection frameworks are weak in some of these countries, with uneven regulation of financial providers, low disclosure requirements, and, in some cases, questionable business practices. 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.

The OECD International Network on Financial Education (OECD/INFE) has been working on the demand side of financial inclusion since its creation in 2008. The OECD/INFE develops of research, policy guidance and tools to support financial inclusion through improved financial literacy, focusing in particular on vulnerable groups and the digitalisation of financial services.

The OECD-ADBI-SBV Conference on Financial Literacy and Consumer Protection held in Hanoi, Viet Nam on 3-4 October 2017, co-organised by the OECD/INFE, the Asian Development Bank Institute (ADBI) and the State Bank of Viet Nam (SBV), contributed further to this work. The conference focused primarily on the role of financial education and financial consumer protection in supporting effective financial inclusion through consumer empowerment in the current digital context, looking especially at examples from Asia to support policies in Viet Nam and other countries in the region. This paper was commissioned to provide evidence and research for the conference, focusing particularly on countries within the Association of South East Asian Nations (ASEAN).

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Executive summary

Financial education and financial consumer protection are essential ingredients in supporting financial inclusion, especially in the context of the advancement of digital financial services. An effective regulatory and policy environment can improve the supply of appropriate financial products and services to all, especially to those most in need, and encourage the use of new technologies in an inclusive way. A strong and responsive financial consumer protection framework can also promote trust and confidence in the financial system and significantly reduce the likelihood of consumer detriment. Financial education also supports inclusion by equipping individuals with an understanding of how financial products may benefit them. It can provide the knowledge and skills to use financial products and services effectively and with a greater awareness of their rights and responsibilities in financial markets. This is especially relevant in ASEAN countries, many of which have low, but rapidly increasing, levels of access to financial services.

This report begins by investigating the current situation of financial inclusion and financial literacy in ASEAN countries. Financial literacy levels in the five ASEAN countries that participated in the OECD/INFE financial literacy survey – Cambodia, Indonesia, Malaysia, Thailand and Viet Nam – are lower than average levels in participating OECD and non-OECD countries around the world. Financial literacy is especially low in Cambodia and Viet Nam. In the five ASEAN countries, scores in financial knowledge and behaviour tend to be positively correlated with income and education levels, whereas gender differences are minimal.

Across the ASEAN, financial inclusion is relatively high in Malaysia, Singapore and Thailand and quite low in Cambodia, the Lao PDR, Myanmar and Viet Nam. Nevertheless, financial access has grown remarkably in Cambodia and Viet Nam in recent years.

The report goes on to describe the policies and programmes developed to support financial inclusion, education and consumer protection. Indonesia, Malaysia, Philippines and Thailand have dedicated strategies for financial inclusion. Indonesia, Malaysia and Singapore are implementing national strategies for financial education, in support of financial inclusion and financial consumer protection policies. National strategies for financial education are also under development in the Philippines and Thailand. Many ASEAN countries are in the process of developing and strengthening their financial consumer protection frameworks and vary in the degree to which financial consumer protection supports financial inclusion efforts at the national level.

In addition to these strategies and frameworks, a variety of public, private and not-for-profit stakeholders in ASEAN countries are active in supporting and delivering financial education programmes to provide information about basic financial products (including digital ones), increase awareness of related risks and, more generally, inform consumers of their rights and responsibilities in financial markets. Digital tools, such as videos and apps, are increasingly being used to engage young people and adults. Evaluation evidence suggests that effective initiatives exist, but the number of financial education programmes evaluated remains very small, and the evidence is not always sufficiently robust to be used to inform new initiatives.

The report concludes with suggestions for policy makers in the region, including: collection of evidence; 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.

I. Introduction

I.1. Background

The OECD Financial Education Project was launched in 2002 to address OECD governments' concerns about the increasing transfer of financial risks to individuals and the sophistication of financial products. Two OECD committees service the project: the Committee on Financial Markets (CMF) and the Insurance and Private Pensions Committee (IPPC).[1]

OECD (2005) defines financial education as:

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

In 2008, the OECD created the International Network on Financial Education (OECD/INFE). The OECD/INFE is composed of public officials interested in financial education issues from over 110 countries, including economies such as Brazil, China, India, Indonesia, Russia and South Africa and all G20 members. The main objective of the OECD/INFE is to provide policy makers with guidance in order to establish efficient financial education strategies while fully acknowledging that financial education is not a substitute to appropriate consumer protection, financial regulation and supervision but rather a complement thereof.

Financial education, consumer protection and financial inclusion are essential ingredients for both the financial empowerment of individuals and the overall stability of financial markets and economies, particularly in the context of the changing pace of technological progress and the advancement of digital financial services. Their importance has been globally recognised and endorsed by G20 leaders through high-level principles on Innovative Financial Inclusion (GPFI, 2010), Financial Consumer Protection (OECD, 2011). National Strategies for Financial Education (OECD, 2012), and Digital Financial Inclusion (GPFI, 2016).

In widespread recognition of the value, as well as challenges, of new digital products in facilitating financial inclusion, the G20 High-level Principles for Digital Financial Inclusion were developed under the Chinese G20 presidency in 2016 (GPFI, 2016). Building on its global leadership in financial education issues, the OECD and OECD/INFE are actively involved in developing policy research and guidance on the implications of digital financial services for financial education and consumer protection

[1] More information on the OECD project and related publications and recommendations can be found at www.oecd.org/finance/financial-education/.

issues to support the implementation of this G20 agenda and the work of the G20 Global Partnership on Financial Inclusion (GPFI).[2] Recent OECD/INFE work in this area includes a 2015-16 stocktaking exercise on the implications of digital financial services for financial education and related financial consumer protection issues, which led to the publication of the G20/OECD INFE report on Ensuring financial education and consumer protection for all in the digital age (OECD, 2017b).

I.2. The importance of financial inclusion

Financial inclusion refers to both the access and active use of financial products and services within the formal financial system for all groups of the population (Sarma, 2008). Financial inclusion broadly considers access to transaction accounts as well as savings, retirement, mobile money, insurance and credit accounts in order to ensure the holistic financial wellbeing of individuals.

The working definition of financial inclusion, as developed by the OECD/INFE, is as follows:

> *Financial inclusion refers to the process of promoting affordable, timely and adequate access to regulated financial products and services and broadening their use by all segments of society through the implementation of tailored existing and innovative approaches, including financial awareness and education, with a view to promote financial wellbeing as well as economic and social inclusion.*

For individuals, financial inclusion can involve reduced transaction costs and increased safety provided by the formal system over cash or informal providers. There is also considerable policy and academic evidence showing that those who engage with financial products and services are more likely to start and grow businesses, access education, consider a variety of risks and withstand financial losses (Aportela, 1999; Ashraf et al., 2010; Beck et al., 2007; Bruhn and Love, 2014; Burgess and Pande, 2005; Dupas and Robinson, 2013; Karlan and Zinman, 2010; Ruiz, 2013).

These benefits at the individual level are expected to lead to country level improvements in human and social development, economic growth, job creation as well as reductions in poverty and income inequality rates (Beck and Demirguç-Kunt, 2008a; IADB, 2005; Sarma and Pais, 2011). At a macro-level, financial inclusion could result in a diversified base of deposits creating a resilient financial system and increased stability (Garcia, 2016).[3] These benefits are particularly seen in the developing Asian region (Park and Mercado, 2015).

The digitalisation of financial services, as identified by the G20 High-level Principles for Digital Financial Inclusion, provides a means to address barriers to financial inclusion such as the high costs of providing financial services and physical infrastructure constraints. The benefits of digitalisation include lower consumer costs as well as more convenient, faster and secure transactions. Further, there are opportunities for innovative product design to reach disadvantaged groups (such as women and the poor) and, in doing so, integrate these vulnerable groups into the formal financial system. Recent consumer

[2] For a full list of work by the GPFI, refer to www.gpfi.org/publications.

[3] For a meta-analysis of literature examining the relationship between financial inclusion and financial stability, see Garcia (2016).

protection initiatives in this area attempt to address some of the challenges of digitalisation including digital fraud and misuse of client information, data security and cybercrime. However, other challenges remain, including low levels of digital literacy and the widespread provision of electricity and reliable mobile and internet networks.

I.3. Financial consumer protection and financial education for promoting financial inclusion

The set of G20 and OECD/INFE high-level principles on financial inclusion, digital financial inclusion and the national strategies for financial education indicate the need for a comprehensive approach that includes a sound consumer protection framework.

Effective consumer protection frameworks comprise supportive regulatory and supervisory environments, full disclosure, ethical business practices and effective dispute resolution mechanisms. There is an important link between financial inclusion and consumer protection in that a well-designed framework can generate consumer trust and confidence, leading to more active and appropriate use of financial products and services by consumers. Indeed, policy work and research on financial inclusion attempt to address involuntary exclusion by promoting an effective regulatory and legislative environment (World Bank, 2014a).

As noted in the OECD/INFE high-level principles on national strategies for financial education, there is an increased need to improve financial literacy of individuals given the transfer of a range of financial risks to consumers, growing complexity and evolution of financial products/ markets and the increase of active investors in the financial landscape. Financial education can therefore play a role in protecting consumers and further building trust and confidence in the financial sector.

I.4. Structure of this paper

This report provides an overview of financial education and consumer protection in supporting financial inclusion in ASEAN countries. Section II summarises the current state of financial inclusion and financial literacy in the region based on analysis of survey data. In Section III, relevant policies within the region are described, while examples of programmes and initiatives are highlighted in Section IV. Section V concludes.

II. The current situation

Key messages

- Financial literacy levels in the ASEAN countries that participated in the OECD/INFE survey are lower than average financial literacy levels in participating countries around the world.
- Financial literacy is especially low in Cambodia and Viet Nam, compared with other countries providing data. Financial knowledge is higher in Indonesia, Thailand and Viet Nam, than in Cambodia and Malaysia. Financial behaviour scores for Viet Nam and Cambodia, however, are much lower than those of their ASEAN counterparts. In terms of financial attitudes, average scores are higher in Indonesia than in the other four countries.
- Scores in financial knowledge and behaviour tend to be positively correlated with income and education levels in most countries.
- Financial inclusion is relatively high in Malaysia, Singapore and Thailand, where at least 8 out of 10 people hold a payment or savings account. Basic product ownership is quite low in Cambodia, the Lao PDR, Myanmar and Viet Nam. Nevertheless, deposit account holding with commercial banks more than doubled in Cambodia and Viet Nam from 2010 to 2015.

This section provides a discussion on the current state of financial literacy and financial inclusion in the ASEAN region. The relationship between financial literacy and financial inclusion is important, given that a greater level of financial literacy can create a fully inclusive society where individuals understand the products and services available to them and are able to make decisions that are in their best interests. The discussion identifies groups of the population that are most in need of financial education for financial inclusion.

This discussion is primarily based on data collected using the globally recognised OECD/INFE toolkit (OECD, 2015), a survey instrument and methodology to undertake cross-comparable studies of financial literacy and financial inclusion. An international survey was conducted in 2016 with 30 economies, including 17 OECD countries, participating in the survey OECD (2016a). This was followed by a report of results in G20 countries, drawing on new and existing data (OECD, 2017a).

This report focuses on survey results from the five ASEAN countries for which comparable data are available: Cambodia, Indonesia, Malaysia, Thailand and Viet Nam. Data for Indonesia, Malaysia and Thailand was collected by national authorities to feed into the 2016 international survey (OECD, 2016a), while data for Cambodia and

Viet Nam was collected by the Asian Development Bank (ADBI) and presented in a study by Morgan and Trinh (2017) which used the OECD/INFE toolkit. Appendix A1 summarises the number of respondents from each country and the breakdown by gender, income and education.

Overall, the discussion highlights that levels of financial literacy in these five ASEAN countries are relatively low. This is partly driven by low scores on financial knowledge and financial attitudes and comparatively average scores on financial behaviour. In regards to financial access and inclusion, the majority of people across these five ASEAN countries hold a savings or retirement product, are aware of at least five financial products, have made a recent financial product choice and do not rely on family and friends for spending/saving.

II.1. Financial literacy in ASEAN countries

This section provides evidence on the variation in financial literacy across and within these five ASEAN countries. The OECD/INFE toolkit (OECD, 2015) measures financial literacy by testing aspects of financial knowledge, financial behaviour and financial attitudes, and creating a combined measure by summing the various components.[4]

Figure 1 reports the overall financial literacy scores in the five ASEAN countries[5] where the total possible score is 21. Compared to the averages of both the 17 OECD countries and the 30 economies that participated in the survey, financial literacy scores in these ASEAN countries are low, with the lowest scores observed in Viet Nam (12.4) and Cambodia (11.5). However, given that there is a high positive correlation between overall financial literacy scores and a country's per capita GDP, Morgan and Trinh, (2017) argue that the overall scores for Viet Nam and Cambodia are close to the trend line. Nevertheless, these results suggest that while levels of financial literacy are worryingly low globally, they are of particular concern in the ASEAN region. Continued efforts to improve financial literacy are therefore necessary.

Financial literacy is "a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing" (Atkinson and Messy, 2012). This makes it important to consider the scores for each of the sub-categories in order to identify the areas that require the most attention, both nationally and across the ASEAN region. Figure 1 illustrates the scores for the sub-categories of financial knowledge, financial behaviour and financial attitude. There is considerable variation within the five ASEAN countries. Financial knowledge scores are similar in Indonesia, Thailand and Viet Nam and are all higher than in Malaysia and Cambodia. Financial behaviour scores for Viet Nam and Cambodia however are much lower than those of their ASEAN counterparts. In terms of financial attitude, the average scores in Viet Nam, Cambodia, Malaysia and Thailand are comparable but all lower than those of Indonesia. The breakdown of financial literacy into the sub-category scores for financial knowledge, behaviour, and attitude also

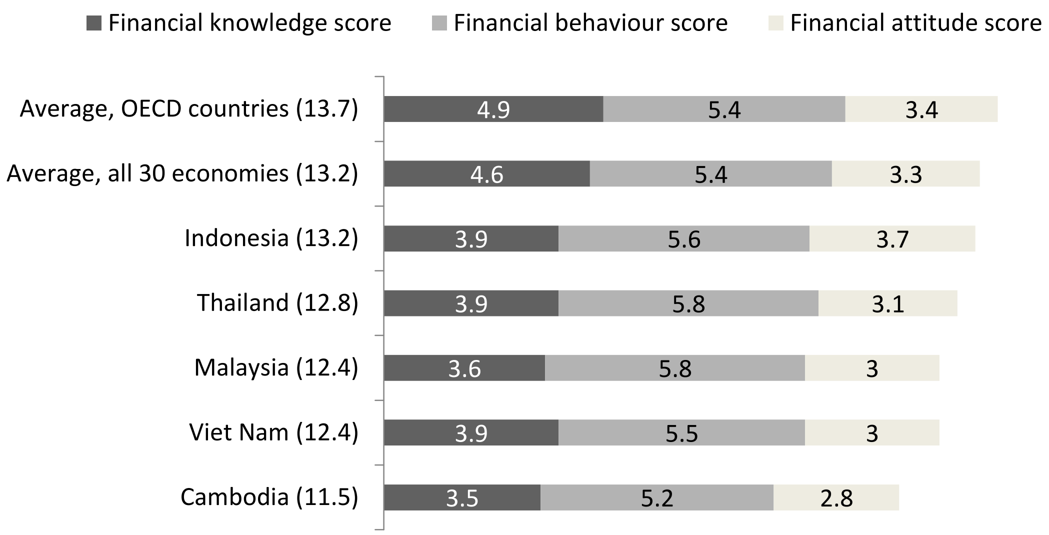
[4] See Appendices A2 to A4 for a summary of the OECD/INFE toolkit methodology for computing overall financial literacy scores from components of financial knowledge, financial behaviour and financial attitudes. See OECD (2015) for an in-depth discussion of the methodology.

[5] The overall financial literacy score is obtained as the sum of the three sub-category scores on financial knowledge (out of a possible 7), financial behaviour (out of a possible 9) and financial attitudes (out of a possible 5). It can take any value between 1 and 21.

highlights those particular aspects which may be driving overall financial literacy levels and additionally those areas where further efforts should be concentrated. For example, Viet Nam may need to focus efforts primarily on improving financial knowledge and financial attitudes while continuing to promote positive financial behaviours in order to improve overall financial literacy scores.

The following sections examine each of the sub-categories of financial literacy in further detail.

Figure 1. Financial literacy scores in selected ASEAN countries



Source: OECD/INFE financial literacy survey (OECD, 2016a; Morgan and Trinh, 2017). Average OECD countries and average, all economies report the mean of the country/economy percentages. Each country or economy is therefore given equal weight.

II.1.1. *Financial knowledge*

Financial knowledge is tested through questions relating to the time value of money, simple and compound interest, risk and return, inflation and diversification. In terms of mean financial knowledge scores, Table 1 shows that mean scores are comparable across these ASEAN countries, though they are lower than the average of all economies responding to the international survey (4.6).

The percentage achieving the minimum target score (which is 5 or more correct responses for the 7 financial knowledge questions) varies considerably across the five ASEAN countries with 17% of respondents in Cambodia achieving at least 5 correct responses out of 7 questions, compared to 50% in Indonesia. For comparison, 56% of respondents achieve the minimum target score on average across all countries responding to the international survey.

Table 1 also shows the differences in mean and minimum target scores on financial knowledge depending on gender, education and income. In contrast to the overall score for all countries responding to the OECD/INFE survey, the scores for ASEAN countries show little gender difference. Across the five ASEAN countries, people with university-level or technical/vocational education beyond secondary school level, have higher scores than those with some or complete primary and secondary school level education. Similarly, those with income equal to or above the median income have greater scores.

Table 1. Mean and minimum target scores on financial knowledge by gender, education and income in selected ASEAN countries

	Cambodia	Indonesia	Malaysia	Thailand	Viet Nam
Mean score	3.5	3.9	3.6	3.9	3.9
Mean score (male)	3.5	3.9	3.7	3.9	4.1
Mean score (female)	3.6	3.9	3.5	3.9	3.8
Mean score (primary education)	3.4	2.3	2.9	3.6	3.6
Mean score (secondary education)	3.6	3.9	3.6	4.0	4.2
Mean score (tertiary education)	4.6	4.6	4.1	4.3	4.3
Mean score (low income)	3.4	3.5	3.4	3.9	3.9
Mean score (high income)	3.8	4.4	3.9	4.3	4.0
Minimum target score	17%	50%	33%	41%	35%
Minimum target score (male)	16%	51%	35%	42%	37%
Minimum target score (female)	19%	48%	32%	40%	33%
Minimum target score (primary education)	12%	23%	24%	35%	24%
Minimum target score (secondary education)	21%	47%	34%	44%	39%
Minimum target score (tertiary education)	57%	65%	40%	50%	47%
Minimum target score (low income)	14%	41%	30%	40%	33%
Minimum target score (high income)	24%	60%	40%	50%	37%

Source: OECD/INFE financial literacy survey (OECD, 2016a; Morgan and Trinh, 2017).

The percentage of correct responses to the financial knowledge questions are presented in Table 2. Overall, across the five ASEAN countries the analysis shows that the questions that people are most likely to struggle with relate to inflation, calculation of simple interest, and the concept of compound interest.

At the country level, in Viet Nam, the majority (74%) have a high understanding of the time value of money if the inflation rate stays the same over a year. Approximately one in two gave correct responses in Malaysia (47%) and Thailand (52%). This concept was not well understood in Cambodia (7%) or Indonesia (14%). In all countries, the majority correctly responded to the question on interest paid on a loan. There is also considerable variation in people's understanding of simple and compound interest. In Indonesia, 36% correctly answered the question on simple interest, as well as the follow-on question on compound interest over a five-year period, while only 9% correctly answered these questions in Viet Nam. There is a higher level of understanding of the concept of risk and return across all five countries with Cambodia scoring the lowest (63%). Overall, this is comparable to the level of understanding on risk and return in all countries that participated in the OECD/INFE survey. The definition of inflation is also widely understood across these ASEAN countries, while the level of understanding on diversification is below average in Indonesia (48%), Malaysia (48%), Thailand (42%) and Viet Nam (49%). In Cambodia, 71% of respondents correctly answered the diversification question.

Table 2. Percentage of correct responses to financial knowledge questions in selected ASEAN countries

Question	Cambodia	Indonesia	Malaysia	Thailand	Viet Nam
Time value of money	7%	14%	47%	52%	74%
Interest paid on loan	92%	76%	66%	83%	63%

Interest plus principal	26%	78%	35%	53%	29%
Compound interest	15%	36%	15%	12%	9%
Risk and return	63%	73%	73%	86%	84%
Definition of inflation	77%	67%	75%	63%	88%
Diversification	71%	48%	48%	42%	49%

Source: OECD/INFE financial literacy survey (OECD, 2016a; Morgan and Trinh, 2017).

Turning to self-reported financial knowledge, Table 3 shows the percentage of respondents who self-reported having an average level of knowledge about financial matters. From highest to lowest, the ranking of countries is Indonesia, Thailand, Cambodia and Viet Nam. This is consistent with the results from Table 2. That is, respondents are aware of their level of financial knowledge and there is no evidence of over-confidence.

Table 3. Self-reported financial knowledge in selected ASEAN countries

Country	Very high	Quite high	About average	Quite low	Very low
Cambodia	0.8%	11%	63%	19%	4%
Indonesia	3.0%	16%	73%	7%	1%
Malaysia	3%	26%	-	58%	13%
Thailand	1%	15%	68%	13%	2%
Viet Nam	0.7%	13%	59%	19%	5%

Source: OECD/INFE financial literacy survey (OECD, 2016a; Morgan and Trinh, 2017).

II.1.2. *Financial behaviour*

Financial behaviour is tested through questions on budgeting, researching before purchasing financial products, paying bills on time and saving/borrowing to make ends meet. Table 4 summarises mean and minimum target scores for financial behaviour. Across the five ASEAN countries, mean scores are largely comparable and are either around, or higher, than the average of OECD countries (5.4). Minimum target scores (which is 6 or more financially literate behaviours out of 9 questions) are also similar across these countries and comparable to the average of all countries responding to the international survey (51%), with the highest minimum target score observed in Thailand.

As found in previous surveys, there is little difference in financial behaviour scores by gender (OECD, 2016a; OECD, 2017a). Scores are higher among respondents with higher levels of income across all ASEAN countries and higher for respondents with higher levels of education in all countries except Cambodia.

Table 4. Mean and minimum target scores on financial behaviour in selected ASEAN countries

	Cambodia	Indonesia	Malaysia	Thailand	Viet Nam
Mean score	5.2	5.6	5.8	5.8	5.5
Mean score (male)	5.4	5.5	5.7	5.8	5.3
Mean score (female)	5.0	5.6	5.8	5.8	5.6
Mean score (primary education)	5.3	4.7	5.4	5.7	5
Mean score (secondary education)	5.4	5.4	5.8	5.8	5.5
Mean score (tertiary education)	5.3	6.2	6.3	6.2	6.1
Mean score (low income)	5.1	5.3	5.5	5.8	5.1
Mean score (high income)	5.5	5.9	6.3	6.3	5.9
Minimum target score	46%	56%	58%	62%	54%

Minimum target score (male)	50%	56%	57%	61%	49%
Minimum target score (female)	41%	56%	60%	63%	59%
Minimum target score (primary education)	48%	42%	52%	59%	42%
Minimum target score (secondary education)	48%	51%	58%	62%	55%
Minimum target score (tertiary education)	47%	71%	71%	71%	71%
Minimum target score (low income)	43%	49%	53%	61%	44%
Minimum target score (high income)	55%	64%	70%	73%	64%

Source: OECD/INFE financial literacy survey (OECD, 2016a; Morgan and Trinh, 2017).

Table 5 summarises the percentage of responses that indicate beneficial behaviours and the proportion of respondents that agree, or completely agree, with various statements about financial behaviour (on a scale of 1 to 5, where 1 = completely agree, 5 = completely disagree). Across the five ASEAN countries, results show that taking responsibility for day-to-day financial decisions, utilising a budget, keeping a close watch on financial affairs and setting long-term financial goals could be improved.

At the country level, a high proportion of responses in Indonesia (67%), Malaysia (80%) and Thailand (70%) indicate that respondents are responsible for day-to-day decisions about money and have a budget. Lower levels are recorded in Cambodia and Viet Nam, which are on par with the average reported in OECD countries (57%). There is also a very high level of active saving in Cambodia, Indonesia, Malaysia and Thailand, compared with the average of all economies (59%) and the OECD country average (60%). In terms of other behaviours, the majority in all countries agree or completely agree that they make carefully considered purchases. There is greater variation in responses to timely bill payment with a higher proportion reporting this behaviour in Cambodia (83%) and Viet Nam (72%) and a lower proportion in Malaysia (55%). While the average score in the international survey for responses to keeping watch on financial affairs is 72%, in the five ASEAN countries, other than in Thailand, the response rates are much lower, with the lowest being in Viet Nam (50%). Long-term financial goal setting is relatively comparable across these countries and slightly more common than the average in all OECD countries (50%) reported in the international survey.

Apart from Cambodia, a very high percentage report beneficial financial behaviours. For example, in Indonesia, Malaysia, Thailand and Viet Nam, many individuals report healthy behaviours relating to the choice of financial products. This compares to the average in OECD countries reported in the international survey, where shopping around for financial products is infrequent and few people seek independent advice. This particular behaviour is discussed in more detail below. Finally, there is great variation in relation to borrowing to make ends meet, with the lowest proportions of individuals borrowing to make ends meet in Cambodia and Malaysia and higher rates observed in Indonesia, Thailand and Viet Nam.

Table 5. Percentage of respondents who engage in a behaviour or who agree with financial behaviour statements in selected ASEAN countries

Question	Cambodia	Indonesia	Malaysia	Thailand	Viet Nam
Responsible and has a household budget	56%	67%	80%	70%	58%
Active saving	84%	87%	81%	85%	63%
Considered purchase	87%	63%	76%	84%	92%
Timely bill payment	83%	62%	55%	67%	72%
Keeping watch of financial affairs	66%	65%	63%	70%	50%
Long term financial goal setting	58%	66%	59%	62%	64%
Choosing products	35%	96%	83%	86%	89%

Borrowing to make ends meet	31%	46%	22%	45%	41%

Source: OECD/INFE financial literacy survey (OECD, 2016a; Morgan and Trinh, 2017).

Table 6 provides further analysis of behaviours relating to choosing financial products, based on data from the five ASEAN countries. Overall, when it comes to informed decision making in choosing financial products, individuals typically only seek some form of information, rather than seeking independent advice/information. In Viet Nam, the majority make some attempt to make an informed decision, while the proportion of those who use independent information or advice is much lower than in the other ASEAN countries. These results on choosing products provide further evidence of the need for financial consumer protection in the ASEAN region.

Table 6. Choosing financial products in selected ASEAN countries

Country	Some attempt to make informed decision or sought some advice	Used independent information or advice
Cambodia	34%	0%
Indonesia	83%	5%
Malaysia	56%	11%
Thailand	60%	14%
Viet Nam	70%	1%
Average, all countries	48%	12%
Average, OECD countries	48%	11%

Source: OECD/INFE financial literacy survey (OECD, 2016a; Morgan and Trinh, 2017).

II.1.3. *Financial attitudes*

Financial attitudes are tested through questions on preferences towards the long term. Table 7 summarises mean scores and minimum target scores on financial attitudes. Mean scores are comparable across the five ASEAN countries and most are slightly under the average in the international survey (3.3), except for Indonesia. In terms of minimum target scores, there is a much higher proportion achieving the minimum (which is 3 out of 5 statements on financial attitudes) in Indonesia (75%) compared to the other four ASEAN countries. For comparison, the average percentage of respondents achieving minimum target scores in the international survey is 50%.

There is little gender difference in scores across the five ASEAN countries, although more women than men achieved the minimum target score in Viet Nam. Mean scores are also similar across education and income levels, while the percentage achieving minimum target scores increases with higher levels of education and income.

Table 7. Mean and minimum target scores on financial attitudes in selected ASEAN countries

	Cambodia	Indonesia	Malaysia	Thailand	Viet Nam
Mean score	2.8	3.7	3.0	3.1	3.0
Mean score (male)	2.8	3.8	3.0	3.0	2.9
Mean score (female)	2.9	3.7	3.0	3.1	3.1
Mean score (primary education)	2.8	3.6	3.0	3.0	3.0
Mean score (secondary education)	2.8	3.7	3.0	3.1	3.0
Mean score (tertiary education)	2.9	3.8	3.0	3.2	3.0
Mean score (low income)	2.8	3.7	3.0	3.1	3.0
Mean score (high income)	2.9	3.8	3.0	3.2	3.0

Minimum target score	33%	75%	38%	47%	45%
Minimum target score (male)	31%	76%	36%	46%	43%
Minimum target score (female)	34%	74%	40%	48%	48%
Minimum target score (primary education)	32%	69%	37%	43%	43%
Minimum target score (secondary education)	34%	74%	38%	48%	46%
Minimum target score (tertiary education)	38%	79%	41%	55%	47%
Minimum target score (low income)	30%	74%	38%	47%	44%
Minimum target score (high income)	38%	77%	39%	52%	47%

Source: OECD/INFE financial literacy survey (OECD, 2016a; Morgan and Trinh, 2017).

Table 8 summarises responses to financial attitude questions. Here, disagreeing with these statements indicates more financially literate attitudes. In the five ASEAN countries, results reveal that improvements can be made on discouraging short-term attitudes such as spending over saving and the notion of money being there to be spent.

At the country level, the majority of respondents in Cambodia, Thailand and Viet Nam indicate that they do not have short term attitudes towards focusing on day-to-day living while a smaller proportion disagree with this attitude in Indonesia and Malaysia. In terms of spending over saving for the long term, a high proportion of individuals reported that they disagree or completely disagree with this attitude in Indonesia, while much lower percentages are observed in all other countries. Again, 75% of respondents in Indonesia disagree or completely disagree that money is there to be spent. It is worth noting that only 8% in Cambodia and 9% in Viet Nam disagree with this statement.

Table 8. Percentage of respondents who disagree with financial attitude statements

Question	Cambodia	Indonesia	Malaysia	Thailand	Viet Nam
I tend to live for today and let tomorrow take care of itself	56%	40%	41%	50%	67%
I find it more satisfying to spend money than to save it for the long term	31%	70%	31%	41%	54%
Money is there to be spent	8%	75%	24%	18%	9%

Source: OECD/INFE financial literacy survey (OECD, 2016a; Morgan and Trinh, 2017).

II.2. Financial inclusion and access in ASEAN countries

This section provides current evidence on the variation in financial inclusion and access across and within the ASEAN region. Table 9 provides a summary of basic financial inclusion indicators. Overall, there is considerable variation in indicators relating to accounts, borrowings, mobile accounts, savings and insurance. Almost all respondents in Singapore report having an account at a bank or other type of financial institution, while less than a quarter have an account in Cambodia and Myanmar. The highest percentage of respondents who reported borrowing money for any reason and from any source in the past 12 months, is in the Philippines and the lowest in Singapore. Those who use a mobile phone to pay bills or to send/receive money in the past 12 months are greatest in Cambodia. Between 16% and 24% have personally purchased health or medical insurance in Malaysia, Thailand and Viet Nam, while less than 5% have done so in Cambodia, Indonesia and the Lao PDR. Finally, the majority of respondents in all the ASEAN countries, except Myanmar, report saving or setting aside money in the past 12 months.

Table 9. World Bank financial inclusion indicators in ASEAN (2014)

Indicator	CAM	IND	LAO	MAL	MYA	PHI	SIN	THA	VIE
Account	22%	36%	27%*	81%	23%	31%	96%	78%	31%
Borrowings	62%	57%	-	56%	43%	70%	21%	50%	47%
Mobile account	13%	0.4%	-	3%	0.2%	4%	6%	1%	0.5%
Insurance	3%*	0.9%*	5%*	16%*	-	5%*	-	24%*	18%*
Savings	67%	69%	54%*	82%	47%	67%	73%	81%	63%

Source: Demirguc-Kunt et al. (2015). Note: All respondents are aged 15 plus. * denotes that data is only available for the year 2011. No data is available for Brunei Darussalam.

There is also a significant proportion of the population in these ASEAN countries entering the market for the first time. Table 10 shows that even in the relatively short period of 2010-15, there has been significant growth in the number of deposit accounts held with commercial banks in most ASEAN countries. In fact, the growth rate in Viet Nam and Cambodia is a strikingly high at 258% and 146% respectively. Similar growth rates are observed in other emerging markets, such as Peru and Bangladesh (Mylenko, 2013). These high growth rates suggest that a strong consumer protection framework can help new entrants to both understand the available offerings within the market and keep up to date with increasing innovation in design and delivery of products and services.

Table 10. Deposit account holding with commercial banks in selected ASEAN countries

Country	2010	2015	5-year growth
Cambodia	1,078,788	2,650,188	146%
Brunei Darussalam	532,478	633,406	19%
Indonesia	98,694,633	173,968,689	76%
Malaysia	44,070,143	52,541,282	19%
Myanmar	4,598,565	8,494,057	85%
Philippines	29,668,667	38,343,412	29%
Thailand	77,463,996	85,963,154	11%
Viet Nam	16,813,044	60,207,266	258%

Source: IMF, 2016. Note: No data is available for Singapore and Lao during this period.

II.2.1. *Demand side measures of financial inclusion*

To obtain a more refined understanding of the demand side of financial inclusion, the OECD/INFE toolkit captures the extent to which people use financial products (including payment products, current accounts/mobile money, insurance and credit), as well as other dimensions of financial inclusion, including: product awareness, product choice and whether individuals seek alternatives to formal financial services (such as saving through family and friends, or turning to family and friends to make ends meet).[6] Table 11 provides a breakdown of financial inclusion on each of these aspects.

There is a low rate of payment product holding in all countries, except in Malaysia where 65% hold such products. There is also a low rate of savings or retirement product holding in Cambodia and Viet Nam but much higher rates are observed in other countries. Similarly, there are low rates of holding insurance and credit products across these

[6] See Appendix A5 for a summary of the OECD/INFE toolkit's methodology for computing financial inclusion indicators. Refer to OECD (2015) for an in-depth discussion of the methodology.

countries. It is worth noting that most people are aware of at least 5 products, except in Indonesia, and most have made a financial product choice recently / in the last 12 months, except in Cambodia. While most do not turn to family and friends in Malaysia, higher rates of those who do are observed in Cambodia, Indonesia, Thailand and Viet Nam.

On average, a cross these ASEAN countries, few hold a payment, insurance or credit product while the majority hold a savings or retirement product, are aware of at least five products and have made a recent financial product choice. Most people do not rely on family and friends.

Table 11. Breakdown of financial inclusion in selected ASEAN countries

Question	Cambodia	Indonesia	Malaysia	Thailand	Viet Nam
Holds payment product	3%	2%	65%	10%	18%
Holds saving or retirement product	12%	92%	93%	79%	20%
Holds insurance	3%	15%	33%	27%	28%
Holds credit product	31%	11%	24%	40%	17%
Aware of at least 5 products	61%	37%	90%	89%	61%
Recent financial product choice	n/a	94%	86%	65%	55%
Relying on family and friends	42%	42%	14%	42%	46%

Source: OECD/INFE financial literacy survey (OECD, 2016a; Morgan and Trinh, 2017).

Additional analysis was carried out to examine the relationships between financial literacy and financial inclusion and, specifically, to investigate whether knowledge of interest relating to savings and loans products is associated with holding and/or choosing products that typically pay or charge interest.[7] The key independent variable is knowledge of interest, which is a score out of 3 for correct responses to the questions on interest, i.e. interest paid on a loan, interest plus principal and compound interest (see Annex 2) Two dependent variables are calculated:

- in Panel A, a binary variable equal to one if an individual has heard of and holds at least one savings or loan product;
- in panel B, a binary variable equal to one if an individual has heard of and has made a choice relating to at least one savings or loan product.

Other factors that may influence holding and choosing products are controlled for in the model including income, education, age, gender, employment and rural residence status.[8]

[7] This analysis is an initial exploration of the potential relationship between understanding and behaviour. It should be noted that there are several limitations. It is not possible to say for certain that the products held were actually paying or charging interest - it may be, for example, that the products were designed to be Shariah compliant. Neither is it possible to know whether the knowledge was acquired before or after choosing relevant products.

[8] *Low income* is a binary variable equal to 1 for income less than the median and 0 for income equal to the median and above; *Primary education* is a binary variable equal to 1 for some or complete primary school education and 0 for some or complete secondary or tertiary education; *Under 30 years* is a binary variable equal to 1 for age less than 30 years and 0 for age between 30 and 59 years. *60 Plus years* is a binary variable equal to 1 for age 60 and above and 0 for age between 30 and 59 years; *Male* is a binary variable equal to 1 and 0 for females; *Self-employed* is a binary variable equal to 1 for self-employment and 0 for employees, unemployed and those looking for work and *Rural* is a binary variable equal to 1 for rural residence status and 0 for towns

Results are reported in Table 12 below and show that knowledge of interest is not associated with holding or choosing products that typically pay or charge interest in Viet Nam. There is however a strong relationship observed in Cambodia, Thailand and Indonesia. That is, correctly answering one question about interest is associated with an increased likelihood of holding and choosing such products by approximately 3 to 4 percentage points in these countries. In Malaysia, knowledge of interest is associated with an increased likelihood of holding such products by approximately 1% but not making a recent choice to do so.

Table 12. Knowledge of interest and holding/choosing interest products in selected ASEAN countries

	Viet Nam	Cambodia	Malaysia	Thailand	Indonesia
Panel A: Hold interest products (savings and loans)					
Intercept	0.495***	0.151***	0.953***	0.918***	0.887***
	(12.43)	(4.75)	(74.78)	(62.91)	(34.08)
Knowledge of interest	-0.014	0.029**	0.012**	0.031***	0.037***
	(-0.80)	(2.56)	(2.44)	(7.79)	(4.42)
Low income	-0.120***	-0.053***	-0.056***	-0.042***	-0.058***
	(-3.90)	(-2.82)	(-5.28)	(-3.31)	(-3.41)
Primary education	-0.105***	-0.037**	-0.114***	-0.066***	-0.045*
	(-3.19)	(-1.98)	(-7.88)	(-9.04)	(-1.66)
Under 30 years	-0.074**	0.007	-0.007	-0.058***	0.004
	(-2.26)	(0.34)	(-0.60)	(-7.08)	(0.23)
60 plus years	0.021	-0.041	0.006	-0.056***	-0.027
	(0.27)	(-1.38)	(0.37)	(-5.73)	(-0.81)
Male	-0.009	0.005	0.026***	-0.003	0.027*
	(-0.31)	(0.30)	(2.69)	(-0.49)	(1.67)
Self-employed	0.046	-0.013	0.010	0.014**	0.012
	(1.21)	(-0.72)	(0.83)	(2.11)	(0.64)
Rural	-0.040	-0.092***	-	-	-0.012
	(-1.32)	(-5.21)	-	-	(-0.76)
Number of Observations	1000	1035	2889	10000	1000
R-Square	0.0294	0.0503	0.0419	0.0259	0.0498
Panel B: Chose interest products (savings and loans)					
Intercept	0.444***	0.146***	0.808***	0.491***	0.915***
	(11.21)	(4.69)	(39.47)	(22.18)	(38.65)
Knowledge of interest	0.004	0.028**	-0.002	0.043***	0.023***
	(0.24)	(2.53)	(-0.28)	(7.09)	(3.02)
Low income	-0.112***	-0.054***	-0.039**	-0.005	-0.045***
	(-3.64)	(-2.96)	(-2.32)	(-0.27)	(-2.90)
Primary education	-0.097***	-0.038**	-0.069***	-0.030***	-0.045*
	(-2.97)	(-2.08)	(-2.96)	(-2.72)	(-1.83)
Under 30 years	-0.059*	0.009	-0.022	0.015	-0.005
	(-1.83)	(0.49)	(-1.21)	(1.19)	(-0.27)
60 plus years	-0.019	-0.036	-0.044	-0.011	-0.014
	(-0.24)	(-1.22)	(-1.61)	(-0.75)	(-0.46)
Male	-0.005	0.010	0.021	-0.005	0.020
	(-0.17)	(0.55)	(1.37)	(-0.47)	(1.35)
Self-employed	0.061	-0.015	0.029	0.118***	0.023
	(1.61)	(-0.87)	(1.55)	(11.46)	(1.39)
Rural	-0.026	-0.089***	-	-	0.001

and city residence status. Note that there are no observations for *Rural* in the Malaysia and Thailand samples.

	(-0.86)	(-5.14)	-	-	(0.05)
Number of Observations	1000	1035	2889	10000	1000
R-Square	0.0262	0.0512	0.0072	0.0198	0.0324

Source: OECD/INFE financial literacy survey (OECD, 2016a; Morgan and Trinh, 2017). Note: T-statistics are reported in parenthesis. *, ** and *** represent significance at the 10%, 5% and 1% levels respectively.

II.2.2. *Supply side measures of financial inclusion*

There are various measures of financial inclusion that focus on the supply of products. For example, Park and Mercado (2015) constructed a financial inclusion index that focuses on financial access. The index measures aspects of availability and usage, including automated teller machines (ATM) per 100,000 adults, commercial bank branches per 100,000 adults, borrowers from commercial banks per 1,000 adults, depositors with commercial banks per 1,000 adults, and domestic credit to GDP ratio. Table 13 summarises Park and Mercado's (2015) financial inclusion index scores and ranks for ASEAN countries. Overall there is a great deal of variation. In their study, the median financial inclusion index score is 24 for the whole sample of 188 countries. In comparison, the highest ranking ASEAN country is Singapore (with a score of 58.24) while Viet Nam and Cambodia are amongst the lowest ranking countries with scores of 21.28 and 6.42, respectively.

Such methods of measuring financial inclusion provide an indication of access but not usage of these services, or other methods of access such as digital products and services. Further, with the growth of digital financial products, point of service measures, such as ATM and bank branches, may no longer continue to be appropriate measures of access.

Other approaches to measuring financial inclusion consider supporting dimensions such as the quality of disclosure requirements, dispute resolution procedures and the cost of usage (Amidžić et al., 2014) which fall under the umbrella of consumer protection frameworks. Park and Mercado (2015) and Sarma and Pais (2011) also show a positive relationship between regulatory and legislative strength and financial inclusion.

Table 13. Financial access index scores in ASEAN countries

Rank (out of 188)	Country	Index score
25	Singapore	58.24
33	Brunei Darussalam	52.30
41	Malaysia	47.09
45	Thailand	45.59
101	Myanmar	24.85
102	Indonesia	24.36
112	Viet Nam	21.28
120	Philippines	19.63
155	Cambodia	6.42
167	Lao PDR	4.22

Source: Park and Mercado, 2015.

III. Policy approaches in ASEAN countries

Key messages

- Across the ASEAN, national strategies for financial inclusion have been developed in Indonesia, Malaysia, Philippines and Thailand. Several countries use digital services to enhance financial inclusion, under the umbrella of a national strategy and/or with support from international donors.
- Indonesia, Malaysia and Singapore are implementing a national strategy for financial education, as a complement to financial inclusion and financial consumer protection policies. National strategies for financial education are also under development in the Philippines and Thailand.
- ASEAN countries are developing their financial consumer protection frameworks. These vary in their level of support for financial inclusion efforts at the national level.

This section provides a background on policies relating to financial inclusion, financial education and consumer protection in the ASEAN region. While these three areas are distinct, they are complementary in nature.

III.1. Financial inclusion

Table 14 summarises the state of financial inclusion policies in the ASEAN region based on data collected by the Alliance for Financial Inclusion (AFI). Overall, there is great variety in the region. National strategies have been compiled in Indonesia, Malaysia, Philippines and Thailand.[9] In Indonesia, Malaysia and the Philippines, the central bank leads financial inclusion activities while in Thailand, this role is jointly held by the central bank and the ministry of finance. There is no taskforce or council that coordinates financial inclusion activities in Malaysia, unlike in other ASEAN countries. Finally, in Indonesia, Malaysia and Thailand, a comprehensive diagnostic study was conducted to inform development of the financial inclusion strategy.

A number of country-level and individual-level factors may act as barriers to financial inclusion. Each factor impedes financial inclusion to different degrees with many policy and regulatory initiatives attempting to tackle those which are considered the biggest impediments to improved financial inclusion. These barriers can reduce access and take-up of products and services.

[9] Refer to www.afi-dataportal.org.

Table 14. Financial inclusion policies in selected ASEAN economies

Country	Activities led by	Taskforce/ council	Diagnostic study
Indonesia	Central bank	Yes	Yes
Malaysia	Central bank	No	Yes
Philippines	Central bank	Yes	No
Thailand	Central bank and Ministry of Finance	Yes	Yes

Source: Alliance for Financial Inclusion (AFI) www.afi-dataportal.org

Country-level contributors to low financial inclusion include: low economic and financial development, low gross domestic product (GDP), low per capita income, an unsupportive regulatory environment, and a lack of product offerings/banking infrastructure (Atkinson & Messy, 2013; Barcellos et al., 2012; Beck et al., 2008b; Centre for Financial Inclusion, 2011; Diniz et al., 2011; Employers Forum on Disability, 2007; Gardeva and Rhyne, 2011). At the individual level, levels of financial access vary by financial literacy, education, gender, age, marital status, employment status, rural residence and religion/culture (Ajim et al., 2017; Kumar, 2013; Zins and Weill, 2016). Given the importance of financial literacy, there have been repeated calls for a range of stakeholders to play a role in promoting financial education for the purposes of financial inclusion.

The ASEAN Finance Ministers and Central Bank Governors meeting (AFMGM) endorsed the "Strategic Action Plan for ASEAN financial integration 2025" to promote financial integration, financial inclusion and financial stability in the region.[10] Overall, the main goal is to reduce the average financial exclusion level in the ASEAN region to 30% by 2025, and to increase the level of infrastructure readiness to 85% from the current level of 70%. To address the plan relating to financial inclusion, the Working Committee on Financial Inclusion was established in 2016 with goals to support the implementation of national financial inclusion strategies, promote digital financial inclusion and increase awareness of financial education and literacy.

Digital channels are vital for improving financial inclusion as they enable opportunities for new services and functions, more consumer choice and convenience as well as wider access. Digital services can also assist in reaching previously excluded groups. This has been a fast growing area of development in many ASEAN nations, for example in the area of digitising remittance payments. Aneja et al. (2017) report that 8% of the population in Cambodia, Lao PDR and Myanmar receive international remittances and 14% receive domestic remittances. Importantly, 60% of remittance recipients are women and 75% are rural residents. Thus, efforts to develop digital remittances can lead to the incorporation of disadvantaged groups into the financial system. For the digitisation of remittances to effectively improve financial inclusion, significant developments are necessary in the form of expanding agent distribution, investing in technology to develop digital remittance services and products, development of infrastructure platforms to deliver the technology, as well as awareness campaigns to promote digital financial literacy (Aneja et al., 2017).

As another example of digitalisation, the Viet Nam Bank for Social Policies (VBSP) is developing an implementation plan to launch mobile-based banking services designed to reach low-income workers and other vulnerable groups (EIU, 2016). Box 1 is a summary of other digital financial services initiatives aimed at improving financial inclusion.

[10] See www.asean.org/storage/2012/05/SAP-for-Financial-Integration-2025-For-publication.pdf.

Box 1. Digital financial inclusion and financial education initiatives

The following is a summary of projects that have received funding from the United Nations Capital Development Fund (UNCDF) within the framework of their Shaping Inclusive Finance Transformations (SHIFT) programme which aims to accelerate financial inclusion and women's economic participation, particularly in the least developed countries of the ASEAN region.*

Cambodia

In Cambodia, there are approximately 650,000 garment factory workers, who remit money home to family members in rural areas. This large segment of the population has been largely excluded from formal financial services in Cambodia. Amret’s initiative “Family+ product – an innovative financial solution for Cambodian women” aims to address this issue by providing a no-cost remittance service. The project aims to reach over 30,000 individuals, including 20,000 women, by 2018. The Family+ project’s duration is for two years and is co-funded by a UNCDF grant of USD 245,000.

Myanmar

Wave Money has proposed to design a financial gaming app which teaches about savings, paying interest and insurance. While designed for a wide audience, there is a particular focus on reaching women entrepreneurs. Wave Money’s project aims to reach 260,000 women. The project is partly funded by a UNCDF grant of USD 295,000.

Viet Nam

Co-funded by a USD 325,000 UNCDF grant, the Lien Viet Post Joint Stock Commercial Bank’s (LienVietPostBank), initiative “Vi Viet – an innovative financial solution for Vietnamese women” aims to increase access to low-cost savings and micro loans to women and women-run businesses through e-wallets. LienVietPostBank’s aim is to provide services to at least 500,000 female Vi Viet users by the end of 2018. The focus on women recognises the low proportion of women with bank accounts together with their traditional role of managing household finances in Viet Nam. The need to complement digital financial inclusion initiatives with a focus on financial literacy is evidenced by LienVietPostBank’s partnership with the Viet Nam Women’s Union to deliver financial literacy courses on mobile financial services and effective financial management with user-friendly financial tools.

Philippines

The Scaling Innovations in Mobile Money (SIMM) project led by the Philippines' government and USAID aims to utilise mobile money in order to help the unbanked and poor build assets, endure financial shocks and participate in formal financial services. The project aims to increase the uptake and usage of mobile money services and provides training on the use of mobile money and available services. As of 2013, the programme trained 12,500 people.

* For more information, refer to http://shift.uncdf.org/.

There are, of course, challenges associated with digital financial services. These include the risk of digital fraud and misuse of client information, data security and cybercrime. There is also a risk of new forms of exclusion among groups with low digital skills or limited access to digital devices. Other challenges include low levels of digital literacy, the lack of widespread provision of electricity and reliable mobile and internet networks.[11]

III.2. Financial education

Within the ASEAN region, a number of countries are addressing financial education priorities within a national strategy framework. Overall, ASEAN national strategies are in various stages of design, implementation and revision, as summarised in Table 15. Some countries have incorporated financial education into financial consumer protection and financial inclusion policies, in recognition of their complementary nature (Messy and Monticone, 2016). For example, in Indonesia, the Financial Services Authority (*Otoritas Jasa Keuangan*) provides financial education on financial services and products as part of its financial consumer protection framework. Bank Indonesia delivers financial education in compliance with its payment system regulation mandate. In the Philippines, the central bank (*Bangko Sentral ng Pilipinas*) includes financial education within its financial consumer protection framework (Messy and Monticone, 2016).

Table 15. National strategies in the ASEAN region

Status of the national strategy (NS) for financial education	Countries/economies
A NS is being revised or a second NS is being implemented	Malaysia (2003, 2010) and Singapore (2003, 2014)
A (first) NS is being implemented	Indonesia (2013)
A NS is being designed	Philippines and Thailand

Source: Messy and Monticone, 2016.

In support of policies to improve financial education, various supervisory bodies play an active role in promoting awareness of financial education (Messy and Monticone, 2016). For example, the Asia-Pacific Economic Cooperation (APEC) has developed a policy statement on financial literacy and education and the APEC Human Resources Development Working Group has published a guidebook on financial and economic literacy in basic education. The Asian Development Bank Institute is also active in conducting research in financial education policy and initiatives in ASEAN countries.

Policy responses in the form of programmes and initiatives are discussed in section IV below.

III.3. Financial consumer protection

This section provides an illustration of the state of financial consumer protection in the ASEAN region. The discussion highlights the various challenges and opportunities in designing an effective framework which is able to protect disadvantaged groups, such as those living in poverty, for whom mistakes could have rapid negative consequences, those with low levels of literacy who may not be able to read product terms and conditions, those with low numeracy skills who are unlikely to understand financial

[11] See www.oecd.org/finance/g20-oecd-report-on-ensuring-financial-education-and-consumer-protection-for-all-in-the-digital-age.htm.

maths concepts, and those with disabilities who may have difficulty in accessing and using facilities such as ATMs and telephone banking services without help. A discussion of approaches to improve financial consumer protection in ASEAN countries is discussed in section IV.

Financial consumer protection is linked to financial inclusion since an effective regulatory and policy environment can encourage financial services providers to offer products and services to all, especially to those most in need, and to take advantage of new technologies within their operations. An important priority in improving financial consumer protection to promote financial inclusion is to develop trust and confidence in the system. For example, by raising public awareness of governments' efforts to improve protection, provide deposit guarantees and strengthen complaints mechanisms, there is likely to be an improvement in financial literacy and trust which can support financial inclusion.

In the ASEAN region, general (rather than financial) consumer protection policies are largely shaped by the ASEAN Strategic Action Plan for Consumer Protection (ASAPCP) for 2025.[12] The action plan's goal is to establish a common framework of consumer empowerment and protection in the ASEAN region. Specifically, it aims to establish new, and strengthen existing, consumer protection legislation and institutional capacity, improve consumer access to product information and mechanisms for consumer redress. The current state of consumer protection in each member state was analysed in a project called "Road-mapping capacity building needs in consumer protection in ASEAN" overseen by the ASEAN Australia Development Cooperation Programme Phase II.[13] Six areas of general consumer protection were examined in each member state. Those in the area of financial consumer protection include e-commerce, consumer credit and banking. Overall, the road-mapping exercises show that there are significant differences in the framework for consumer protection in ASEAN member states.

For example, there is no central framework for consumer protection in Lao PDR and Myanmar, whereas in Cambodia a series of consumer laws and regulations have been enacted in recent years (most importantly the Law on the Management of Quality and Safety of Products 2000), which effectively act as a framework for a consumer protection regime. In 2011, in Viet Nam,, the *Law on Protection of Consumers' Interests* was passed, superseding the *Ordinance on Protection of Consumer's Interest*. The new law, administered by the Viet Nam Competition Authority, provides a more effective consumer protection regime and includes improvements to the following key areas: identification of consumer rights, improving dispute resolution mechanisms, specifying businesses' responsibilities to consumers in terms of misleading and deceptive conduct, stronger law enforcement and a focus on engaging the public through education campaigns.

The Lao PDR is in the process of strengthening its framework to protect financial consumers. In 2017, the Bank of the Lao PDR started drafting a financial consumer protection decree which will determine the obligations of banks and financial institutions to provide financial services with respect, fairness and transparency and will give power to the central bank to protect financial consumers (Phetsouvanh, 2017).

[12] See http://asean.org/storage/2012/05/ASAPCP-UPLOADING-11Nov16-Final.pdf.

[13] Country reports can be found at http://asean.org/asean-economic-community/sectoral-bodies-under-the-purview-of-aem/consumer-protection/key-documents/.

The EIU (2016) financial inclusion index measures how well a country's legislative, regulatory and supervisory frameworks, as well as product offerings, offer a supportive environment for financial inclusion. Twelve indicators are considered, including: government support for financial inclusion; regulatory and supervisory capacity for financial inclusion; prudential regulation; regulation and supervision of credit portfolios; regulation and supervision of deposit-taking activities; regulation of insurance targeting low-income populations; regulation and supervision of branches and agents; requirements for non-regulated lenders; electronic payments; credit-reporting systems; market-conduct rules, and finally grievance redress and operation of dispute-resolution mechanisms. Table 16 provides a summary of selected ASEAN countries' ranking against the 55 countries surveyed. The Philippines have a high ranking, possibly due to the government's long-term commitments to improving financial inclusion as one of the original 17 participants in the Maya Declaration for financial inclusion launched in 2011.[14] Viet Nam and Cambodia's scores are relatively low in comparison to other ASEAN countries. However, more than half of the surveyed countries achieved a score lower than the sample average of 49 out of 100. Therefore, Viet Nam and Cambodia are amongst a large number of countries which are not yet considered to have a fully supportive policy and regulatory environment for financial inclusion.

Table 16. Ranking of regulatory and supervisory frameworks for supporting financial inclusion in selected ASEAN countries

Country	Rank (out of 55)	Score (out of 100)
Philippines	Equal 3rd	78
Indonesia	Equal 15th	55
Thailand	Equal 20th	51
Cambodia	Equal 30th	47
Viet Nam	Equal 42nd	40

Source: EIU, 2016.

Due to the popularity of microfinance, there is a particular need to improve consumer protection frameworks in developing ASEAN countries. EIU (2016) reports that microfinance entities in Cambodia are only required to be registered and licensed once their portfolios reach KHR100mn (USD 24 000) and KHR1 000m (USD 244 000) respectively. Unregistered and unlicensed entities are not required to report to the regulator, the National Bank of Cambodia or other regulators. In recent years, there has been an emergence of unregistered and unlicensed entities which are providing microfinance in Cambodia. However a number of larger microfinance institutions are currently obtaining certification in Client Protection Principles as part of the global Smart Campaign.[15] The principles set out standards and practices for ethical business practices and responsible lending. Further evidence of the need for a robust consumer protection framework was discussed in section II in relation to the number of individuals entering financial services and products for the first time and the way in which people utilise information in making product choices.

[14] See www.afi-global.org/maya-declaration.

[15] The Smart Campaign is a global initiative led by The Centre for Financial Inclusion at Accion. http://smartcampaign.org/index.php.

Finally, the World Bank conducts diagnostic reviews of countries' consumer protection and financial literacy frameworks. Within the ASEAN region, reviews have been conducted on Indonesia (World Bank, 2014b), the Philippines (World Bank, 2014c) and Viet Nam (World Bank, 2015). The review assesses the following aspects in each country's framework: (i) Institutional Arrangements, (ii) the Legal and Regulatory framework, (iii) Transparency and Disclosure, (iv) Business Practices, (v) Complaints Handling and Dispute Resolution Mechanisms, and (vi) Financial Literacy.

Some examples of best practices identified in the diagnostic reviews of these three countries include:

- Indonesia’s Financial Services Authority (*Otoritas Jasa Keungan*) has an express objective regarding consumer protection and a further provision that its Board of Commissioners must include a member who is tasked with overseeing education and consumer protection.
- The Philippines’ central bank (*Bangko Sentral ng Pilipinas*) created an extensive range of laws and regulatory instruments in relation to topics such as credit cards, microfinance, electronic banking, investment products, responsible lending practices, confidentiality and data protection
- Viet Nam’s commitment to strengthening consumer protection is evidenced by collaboration with various stakeholders involved in consumer protection and international organisations to undergo reviews/surveys, regulatory reform relating to the Law of Protection of Consumer’s Rights of 2010, the Law on Advertising of 2012, reform of the regulatory framework for agent banking and various other new/reformed laws relating to consumer protection issues.

Importantly, the World Bank’s diagnostic reviews also identify areas for improvement in these countries, some of which include the need to:

- Address staffing and resource constraints within regulatory bodies, given that some departments in charge of consumer protection are also responsible for prudential regulation.
- Create coordination and consultation between each of the key regulators and supervisors involved in consumer protection.
- Create specific disclosure requirements for different financial products.
- Have an explicit mandate in relation to consumer protection (for central banks)
- Require banks to have internal complaints resolution systems.
- Clarify the overlapping functions between different regulators involved in consumer protection.

IV. Approaches to improve financial inclusion through financial education initiatives

Key messages

- A variety of public, private and not-for-profit stakeholders are active in ASEAN countries in supporting and delivering financial education programmes to provide information about basic financial products, including digital ones, explain how to use them, increase awareness of related risks and, more generally, inform consumers of their rights and responsibilities in financial markets.
- Digital tools are increasingly being used to inform and educate adults and young people. Examples of initiatives using videos and interactive financial education apps show a potential for engaging wide audiences.
- Several examples of evaluated financial education programmes in ASEAN countries show that financial education can enhance financial knowledge, increase the take-up of savings accounts, and improve financial behaviour around remittances. Nevertheless, the number of financial education initiatives that are evaluated remains very small.

This section provides a summary of various approaches to improve financial inclusion through financial education programmes and initiatives. Low levels of financial literacy are a barrier to inclusion and there are many education initiatives in ASEAN countries that aim to improve general financial literacy levels. Among the examples discussed below, some directly address product take-up.

Overall, the discussion highlights that well-designed financial education programmes are key to reinforcing financial inclusion efforts. Programmes and initiatives have been developed by a wide variety of stakeholders and focus on different target audiences. There should be a continued focus on evaluating these programmes.

IV.1. Evaluated financial education initiatives

A growing number of evaluations of financial education initiatives in the ASEAN region show positive results for financial inclusion. Some interesting cases are highlighted below:

Financial education programme to increase take-up of savings accounts among factory workers in Cambodia

The Cambodian Microfinance Association produced a 5-minute comedy skit where the storyline focused on financial knowledge, loan management and savings. An experiment was conducted by Crawford et al., (2015) wherein three groups of garment factory workers were shown either the skit, a financial literacy video which covered the same material as the skit but without any comedic element, or no video. The aim of the experiment was to test participants' attitudes to taking up a savings product. Compared to the baseline group who did not watch a video, those who watched the comedy video reported that they were more likely to start a savings account within 6 months. The result suggests that a programme with such a cost-effective and engaging method of delivery may be most appropriate in encouraging disadvantaged groups to take up financial products. These results are consistent with Berg and Zia (2013) which shows that individuals who watched a soap opera in South Africa had a higher level of financial knowledge of the issues discussed in the story line.

Financial education programme for female migrant workers in Indonesia

In a study by Doi et al., (2014), a financial literacy programme was developed by a partnership between the Indonesian government and the World Bank and implemented with female overseas migrant workers and their families in East Java. The programme reached 400 households and covered financial planning and management, savings, debt management, sending and receiving remittances and understanding migrant insurance. The aim of the study was to test whether financial education programmes should target the migrant worker, the remittance receiver or both. Participants were allocated one of these three groups and all groups received the training. Baseline surveys were conducted between February and June 2010 and three follow up surveys, conducted as face-to-face interviews, were conducted 9, 15 and 19 months later. Results showed that training the migrant worker and remittance receiver had a large and significant impact on their knowledge, behaviour and savings, while training the remittance receiver alone had a smaller positive effect. Finally, training the migrant worker only had no impact.

Financial education programme for college students in Singapore

Students who attended a personal finance course at a Singaporean university were studied by Barua et al., (2014). Using a difference-in-difference approach, results showed that, after controlling for students' motivation to join the course, financial education training led to an increase in both students' financial knowledge scores by 11% and financial planning scores by 16%. No statistically significant effect was found on students' financial prudence or discipline.

Classroom financial education programme for elementary school students in Indonesia

A 'Financial Intelligence curriculum' was developed by the Research Institution of the Yogyakarta State University and the Indonesia Fund Management Institution. The programme was implemented with elementary school students in grades 1-6 over four weeks. Topics focused on needs and wants, earning income, spending, saving and sharing. Each 45-minute lesson included a short lecture, a worksheet, web-based education games and stories as a learning mechanism. Teachers attended a two-day training course to familiarise themselves with the programme which was implemented in three schools to 1,017 students. An evaluation was conducted by Sari et al., (2017), using an experimental method with pre-post-test and a control group approach. Results showed that the treatment group who received financial education demonstrated improved financial knowledge relative to the control group.

IV.2. Other financial education initiatives

Overall, there is wide involvement from a range of stakeholders in the implementation of financial education programmes in ASEAN countries, including public authorities, banks, financial institutions and not-for-profit organisations. Many initiatives are designed for a specific target audience, typically disadvantaged groups such as women and children.[16] The examples below highlight the lessons that can be learned. The discussion also illustrates the various delivery channels which are being used to provide education, with a focus on digital channels (see Box 2), and the role of financial education in informing consumers of their rights and responsibilities in the financial marketplace (see Box 3).

Public authorities and public-private partnerships

In Malaysia, Bank Negara Malaysia's consumer education programmes involve a number of websites to provide information to consumers. The online learning portals provide information, tools and tips on banking (http://www.bankinginfo.com.my/), insurance (http://www.insuranceinfo.com.my/), and a financial planning website for children "Duitsaku.com" (http://www.duitsaku.com).

The Basic Financial Literacy Booklet[17] is an example of a government-private partnership initiative in Myanmar. The booklet features cartoons and case studies to teach strategies on how to manage household financial issues, specifically targeting rural communities. The Ministry of Planning and Finance partnered with the Livelihoods and Food Security Trust Fund (LIFT)[18] who funded the design and production of the booklet. In order to design the booklet, LIFT contracted a consulting firm in Myanmar to conduct interviews with 12 microfinance institutions and 65 rural communities. The booklet covers topics such as: applying for loans, choosing financial service providers, budget management and business plan writing. Copies of the booklet were distributed through microfinance institutions, private companies and selected government departments.

In the Philippines, the central bank (*Bangko Sentral ng Pilipinas*) delivers a number of financial education programmes, including a financial education expo and programmes tailored to specific groups such as remittance beneficiaries of overseas Filipinos.[19] The BNP bank partnered with the Economic and Financial Learning Centre to develop a comic series which explains economic and financial concepts through the story of teenage friends David and Milo.[20] The Department of Education, as a member of the Philippines'

[16] Another important target group of financial education programmes in Asia is micro, small and medium enterprises. See OECD (2017c) for a discussion of programmes and initiatives offered to these groups.

[17] www.lift-fund.org/sites/lift-fund.org/files/uploads/Publications/Basic%20Financial%20Literacy%20Booklet_MM_final%20compress.pdf

[18] LIFT is a multi-donor fund aimed at improving the lives of smallholder farmers and landless people in rural Myanmar. www.lift-fund.org.

[19] www.bsp.gov.ph/about/advocacies_fin.asp

[20] www.bsp.gov.ph/publications/regular_learning.asp

National Strategy for Financial Inclusion steering committee, also plans to incorporate financial literacy and consumer protection programmes into the high school curriculum. The department will develop a training programme on financial literacy for teachers and partnerships with financial institutions in order to deliver the programmes.[21]

In Viet Nam, a financial literacy programme for students called Practical Money Skills, was implemented in 2012 and is jointly run by Visa international, the Central Committee of the Viet Nam Students' Association and the State Bank of Viet Nam *Not-for-profit organisations*

In Myanmar, Mercy Corps delivers a business and financial literacy programme which has so far reached 1,000 women entrepreneurs. The programme covers marketing, market assessment, cash-flow analysis, cash management, book keeping and basic accounting.[22]

Over the last 10 years in Viet Nam, Rise Against Hunger has partnered with Children of Viet Nam with the aim of reducing poverty in Central Viet Nam. While their prior focus was on improving access to education and medical services, their new work which started in 2017 aims to assist single-mother enterprise owners in their new programme called 'Empowerment through Enterprise' (EtE) which provides training on business and financial literacy skills and the opportunity to access funding by participating in activities focused on writing a business plan.[23]

Financial institutions and not-for-profit organisations

In Viet Nam, a Citi Foundation grant was provided to microfinance institution Binh Minh Community Development company, to develop a financial education programme for local microfinance clients, typically poor women. A train-the-trainer model was used to train educators, representing microfinance providers such as the Viet Nam Social Policy Bank, Quang Binh Province Microfinance, and Ha Tinh Province Development Fund for Poor Women, to deliver courses on budgeting, saving, debt management, bank services and financial negotiations. Training was intended to equip participants with the knowledge, skills and attitudes to make the best use of microfinance products and services in an effort to break out of poverty. As of 2010, the programme had reached 18,000 clients from poor households. The first part of the programme involves students sharing stories about their personal financial situation and submitting photographs of their daily struggles in managing money. The top 50 are then invited to participate in the second part of the programme which involves exhibitions and financial literacy seminars across the country. As part of the programme, various resources are available on social media platforms and the programme's website (kynangquanlytaichinh.com.vn) to teach them the basic concepts of spending, saving and budgeting responsibly. A comic book is also used to teach financial management lessons.[24]

In another example, since 2001, Citi Foundation has provided VND 3.3 billion (USD 188,000) for a microfinance programme in Thanh Hoa Province, one of the poorest

[21] www.deped.gov.ph/press-releases/basic-education-curriculum-include-financial-education

[22] https://newsroom.mastercard.com/2013/04/03/teaming-up-with-mercy-corps-on-financial-literacy-in-myanmar/

[23] www.riseagainsthunger.org/micro-enterprise-vietnamese-women/.

[24] www.vietnambreakingnews.com/2017/05/visas-financial-literacy-programme-enters-sixth-instalment/.

provinces in Viet Nam. The programme, which is operated by Save the Children and the Thanh Hoa Province Women's Union, has reached more than 10,000 women and allowed them to access financial services and establish micro-enterprises. As a result of the programme, the Thanh Hoa Fund for Poor Women was established as a financially independent and sustainable fund in 2008, providing loans of VND 9.5 billion (USD 559,206) to 5,436 active clients in seven districts within Thanh Hoa Province.[25]

A Citi Foundation grant was also awarded to The Dariu Foundation, which has been providing financial education programmes since 2012 to rural youth and women. Since its development, 7,000 rural women and 30,000 secondary and university students have been reached through this programme.

Financial institutions

Across ASEAN countries, the Cha-Ching Money Smart Kids programme, developed by the Prudence Foundation (the community investment arm of Prudential),[26] is a multi-platform programme centred around a series of music videos. The episodes are broadcast on cable and free-to-air TV in eight Asian countries including Hong Kong, China; Indonesia; Malaysia; the Philippines; Singapore; Chinese Taipei; Thailand and Viet Nam. To support the music videos, the platform also involves: a website with games and applications that use real-life scenarios to teach money management and reinforce the lessons from the music videos; online resources and at home activities for children to work through with the help of teachers and parents; mobile applications which track money cycles; and other social media platforms such as YouTube and Facebook to encourage interaction and discussion.

In Viet Nam, HSBC Viet Nam delivered an online financial education course with 10 modules relating to personal finance and enterprise finance in 2012. The programme also involved a pilot training programme for elementary school students, in partnership with the non-profit organisation Junior Achievement, called "More than Money".

In Viet Nam, Home Credit's programme on consumer credit was delivered in cooperation with large shopping centres and involved a financial knowledge consultation programme called "Think it through, sign it wisely" in 2013.

[25] www.citigroup.com/citi/citizen/asia/2008/c_vietnam.htm.

[26] www.prudentialcorporation-asia.com/corp/prudential-pca/en/our-foundation/education/cha-ching

Box 2. Digital financial education initiatives

Cashville Kidz

The Cashville Kidz programme,* previously launched in Malaysia, expanded to Cambodia in 2016. Supported by Maybank Foundation, the programme involves a series of 24 animated episodes which follow characters as they discuss financial lessons including saving, positive spending habits and investment. Episodes can be watched in both Khmer and English. The target audience is children aged between 9 and 12 years of age. The pilot phase involves launching the programme in eight primary schools to target 800 students. The aim is to reach 20,000 students at more than 100 schools. The programme won the Efma-Accenture Innovation Award in 2013 and the Global CSR Award in 2014.

Count4Kids app

CUFA is an Australian international aid organisation specialising in supporting and assisting cooperatives in the Asia Pacific region on economic and social projects to provide access to affordable financial services. In 2015, the Count4Kids app was launched, through a partnership with CPA Australia, to teach children in rural and poor areas of Cambodia, money and financial management skills. The app was installed on 30 tablets and used in schools in Takeo, Kampong Chhnang and Svay Rieng provinces.** The app is aimed at children aged 7-12. It features two characters who introduce children to basic financial concepts such as earning money, budgeting, saving and making responsible choices.

Mr. Finance app

Opportunities NOW*** provides business and mentoring training for start-up businesses in Myanmar, as well as funding through their ONOW Social Launch Fund. One of their initiatives is Mr. Finance, an interactive financial education app. Users can post questions in Burmese or English and the app responds with robo-advice that is tailored to their needs. Other features include a gamified novel where users follow the story of a business owner to learn financial management and reminders to trigger decision making and business management.

* http://cashvillekidz.rocks/
** www.cufa.org.au/digital-interactive-games-take-childrens-financial-literacy-to-a-new-level/.
*** www.onowmyanmar.org/

Box 3. Education initiatives on consumer rights and responsibilities*

The Bank of Lao PDR has plans for a public awareness campaign to inform people about bank services and provide education on the importance of having savings accounts. In Myanmar, there have been a number of initiatives to address specific consumer protection priority areas, including government imposed limits on interest rates that can be charged to consumers, standards on disclosure of fees and charges relating to credit and banking and restrictions on sharing of credit data.

In Brunei, a number of consumer education and awareness programmes have been carried out by banks, as well as organisations such as the Employee's Trust Fund, the Brunei Association of Banks and the Consumer Association of Brunei. Events include roadshows and seminars on general financial and credit issues, the dangers of pyramid schemes, indebtedness and promoting a savings culture.

In Indonesia, Bank Indonesia has implemented plans to fully migrate bank cards to microchip technology in order to enhance security protection against counterfeit cards and credit fraud. Bank Indonesia also delivers an education programme on money laundering, produces comics and movies to promote consumer education on banking matters, the use of credit cards and the risks

In Malaysia, the Credit Counselling and Management Agency, established by Bank Negara Malaysia, provides financial counselling and debt management to individuals. The agency also provides financial education on the healthy use of credit and basic money management, one-to-one counselling and advice on managing finances wisely which covers topics such as budgeting, money management and credit related issues, and managing personal debts. The Ministry of Domestic Trade, Cooperatives and Consumerism also educates consumers under its "Smart Consumer" campaign. This involves the publication of materials on topics such as household budgeting, shopping around for products, product comparison, starting healthy habits from a young age, and loans and credit.

In the Philippines, government initiatives include the Department of Education's plan to teach public high school students about the basics of the stock exchange and capital markets by employing real life situations on how the economy works and investing in the stock market. The central bank (Bangko Sentral ng Pilipinas) also delivers seminars and interactive programmes via their awareness programmes on credit cards, the financial system and consumer protection.** Education materials on consumer protection include brochures on shopping for products, avoiding scams, digital transaction safety, credit card fraud and unfair collection practices. These topics are integrated in economics classes, which is part of the fourth year curriculum of high school students. The Department of Education also embarked on educating primary and secondary-level students on financial basics. Modules were developed to enhance the knowledge of children on topics such as the difference between needs and wants, wealth, interest and inflation.

In Singapore, MoneySENSE is the national financial education programme established by the Monetary Authority of Singapore. Its aim is to enhance the basic financial literacy of consumers through three tiers of programmes. Tier 1 focuses on basic money management such as skills in budgeting and saving, and provides tips on the responsible use of credit. Tier 2 focuses on financial planning to plan for long-term financial needs. Finally, Tier 3 covers investment know-how which aims to increase knowledge about different investment products, as well as skills for investing.

In Viet Nam, programmes and initiatives in regards to consumer protection are carried out by the government, led by the Viet Nam Competition Authority and in cooperation with local authorities, consumer organisations and media groups. They involve public awareness campaigns, workshops and events across the country to provide education to officials, businesses and consumers on their responsibilities and rights. Other non-governmental organisations such as the Viet Nam Standard and Consumers Association (VINASTAS) conduct consumer education programmes at national and local levels through channels such as a magazines and clubs/support groups. As a leader of the consumer protection agenda, VINASTAS was also responsible for establishing the Consumer Complaints Bureau. Media sites are also popular in Viet Nam which help to raise public awareness of consumer protection.***

* http://asean.org/storage/2012/05/ASAPCP-UPLOADING-11Nov16-Final.pdf.
** www.bsp.gov.ph/about/advocacies_fin.asp
*** These include e-paper Vietnamnet (www9.vietnamnet.vn/vn/bao-ve-nguoi-tieu-dung/index.html), VTC News (http://vtc.vn/430-0/kinh-doanh/bao-ve-nguoi-tieu-dung/index.htm), Sai Gon Giai Phong Newspaper’s Anti-counterfeiting & consumer protection club (http://baovenguoitieudung.com.vn/forum.php).

V. Policy suggestions

This report provides an overview of the levels of financial literacy and inclusion and the state of financial education and financial consumer protection policies in the ASEAN region. Examples of approaches to improve financial inclusion through financial education programmes and initiatives are also discussed. Some key takeaways from this report are discussed below.

Deepen efforts to collect data on financial inclusion and financial literacy

There is significant value in collecting data and undertaken detailed analysis of the levels of financial inclusion and financial literacy of the population. This can help countries benchmark against those that have more advanced policy approaches, and learn about the needs and gaps of various groups within their own population. Section II shows that financial literacy levels in the ASEAN countries that participated in the OECD/INFE survey are lower than the average across other countries with comparable data. Scores in financial knowledge and behaviour are positively correlated with income and education levels in most countries, with minor gender differences. ASEAN countries that have not measured the financial literacy of their population so far could benefit from a baseline assessment of their financial literacy and inclusion situation. Countries that have already conducted a baseline measurement could benefit from regular surveys to monitor the situation and support the assessment of financial education and financial inclusion policies. The OECD/INFE toolkit (OECD, 2015) and the OECD PISA financial literacy assessment of students (OECD, 2017d) provide practical tools and guidelines for data collection.

Continue to develop integrated financial consumer protection and education frameworks to support financial inclusion

Effective strategies to improve financial inclusion should be supported by sound financial consumer protection and education policies. As discussed in section III, the state of development of financial inclusion and consumer protection frameworks is quite varied across the ASEAN and several countries could benefit from developing or strengthening national strategies to address demand and supply-side aspects of financial inclusion. Within this context, financial education efforts and initiatives should be conducted within the scope of a national strategy to avoid duplication of initiatives, improve coordination and minimise potential conflicts of interest related to the direct involvement of the private sector in the delivery of financial education. The OECD/INFE policy handbook on the implementation of national strategies offers international best practices on aspects related to the design, implementation and evaluation of such strategies (OECD, 2016b).

Take advantage of the opportunities offered by digital financial services to improve financial inclusion while addressing new challenges

Digital financial services have great potential to improve financial inclusion, both in ASEAN countries and around the world. At the same time, the advancement of digital financial services may create new challenges related to new types of fraud, new risks and new types of exclusion. ASEAN countries should take stock of international experience when developing and strengthening their financial consumer protection frameworks and financial education strategies to ensure consumer protection and education policies adequately safeguard users from harm and promote their financial well-being; that they address the needs of all consumers (especially of vulnerable groups); , and are flexible enough to address emerging issues and challenges. The G20/OECD Report on Ensuring Financial Education and Consumer Protection for All in the Digital Age (OECD, 2017b) and forthcoming policy guidance offer international evidence and guidance.

Ensure effective design and delivery of financial education programmes

Providers of programmes/initiatives in the ASEAN region should continue to focus on effective design aspects. Conducting research about the needs of specific vulnerable groups, learning more about their motivations, knowledge and behaviour, and adequately targeting programmes are important for the success of all interventions. Section IV highlights several examples of programmes/initiatives that target vulnerable groups such as youth, rural residents and women. The analysis of financial literacy levels in section II also highlights that other groups could benefit from specific targeting, including those with lower levels of education and income.

Programme providers should also consider leveraging on digital tools to deliver financial education as a way to ensure that messages can be scaled easily, and content can be updated frequently and remain relevant. As highlighted in OECD (2017b), while the use of digital tools has many advantages, there are of course challenges associated with their use. Digital tools should also be combined with other traditional tools, and it may be appropriate to continue face-to-face interaction for those who prefer it and for more in-depth education.

Given the importance of both financial education and consumer protection in driving financial inclusion, an effectively designed education programme should also provide training and information on safe and appropriate product use. Further, programme design should also consider ways to motivate participants to continue seeking and accessing education and information after completing the programme.

Evaluate financial education and consumer protection initiatives

Section IV highlighted that few financial education programmes in the ASEAN have been rigorously evaluated. Continued robust evaluations of financial education programmes are vital in order to determine their effectiveness and learn from their experiences. Guidance on evaluating programmes has been provided by the OECD/INFE (OECD, 2013) and policy makers, public authorities and programme providers themselves can continue to encourage such assessment.

Moreover, given the importance of consumer protection mechanisms for promoting financial inclusion, it is vital to understand whether the design and outcome of consumer protection initiatives are indeed effective enough to contribute towards improved financial inclusion and consumer well-being. Guidance for evaluating consumer protection initiatives can be drawn from that provided for evaluating financial education programmes (OECD, 2013) and tools to evaluate national strategies that are currently being developed by the OECD/INFE.

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Appendix A1. Percentage of respondents per country

Country	Total no. of respondents	By Gender		By income		By education		
		Female	Male	Low income	High income	Primary education	Secondary education	Tertiary education
Cambodia	1035	48%	52%	67%	33%	44%	44%	5%
Indonesia	1000	46%	54%	55%	45%	11%	59%	30%
Malaysia	2889	50%	50%	68%	32%	16%	67%	16%
Thailand	10000	51%	49%	93%	7%	41%	40%	17%
Viet Nam	1000	51%	49%	51%	49%	37%	41%	22%

Source: OECD/INFE financial literacy survey results. Note: The omitted education category is "No formal education".

Appendix A2. Computing a financial knowledge score

The knowledge score is computed as the number of correct responses to the financial knowledge questions, according to Table 1. It ranges between 0 and 7 (it is also possible to replicate the 8 point score created in 2012 for countries using QK2 by adding the additional response).[27]

Topic	Question number	Discussion	Value towards final score
Time-value of money	QK3	This is a multiple response question and very context specific, and so the 2015 question includes an indicator of the rate of inflation	1 for correct responses [c, unless the country indicates otherwise; or d, if mentioned spontaneously]. 0 in all other cases.
Interest paid on a loan	QK4	This is an open response question and a correct answer indicates that the respondent understands the concept of interest on a loan	1 for correct response [0]. 0 in all other cases.
Interest plus principal	QK5	This is an open response question and a correct answer is an indicator of applied numeracy	1 for correct response [102]. 0 in all other cases.
Compound interest	QK6	QK6 is a multiple-response question; there are four options given. In order to take into account some of the potential for guessing the answer to this question, the score is based on a derived variable that filters out those respondents that could not calculate simple interest at QK5.	1 for a correct response to QK6 if and only if the response to "Calculation of interest plus principal" (QK5) was also correct. 0 in all other cases.
Risk and return	QK7_1	This is a true/false question	1 for a correct response [1/True]. 0 in all other cases.
Definition of inflation	QK7_2	This is a true/false question	1 for a correct response [1/True]. 0 in all other cases.
Diversification	QK7_3	This is a true/false question	1 for a correct response [1/True]. 0 in all other cases.
Division	QK2	In 2015 this has become an optional question, as it is relatively easy and is not a good discriminator of financial literacy in the majority of countries. It is therefore not included in the 2015 financial knowledge score. If this question is included it can be used to create an 8 point score as used in 2012. However it will not be used in the main reporting in 2015.	1 for correct response [200]. 0 in all other cases.

Note: Question numbers refer to the 2015 toolkit. Source: OECD (2016).

[27] Where countries substitute questions, or reword them, we incorporate them by also giving a value of 1 to a correct response and 0 in all other cases to the alternative/reworded questions. In the case of a country with fewer than 7 financial knowledge questions we rescale each score within the two groups of questions identified as 'part A' and 'part B' (for instance, if the statement in question QK7 is missing, the two remaining points will be multiplied by a factor of 3/2). Note that this will not make the scores exactly comparable, and we do not recommend that the core questions are changed or omitted.

Appendix A3. Computing a financial behaviour score

The behaviour score is computed as a count of the number of "financially savvy" behaviours according to Table 2. It ranges between 0 and 9 as in 2012. As people do not necessarily indicate all of these financial behaviours in a given period it may not be realistic to expect everyone to achieve the minimum target score.

Behaviour	Question number	Discussion	Value towards final score
Responsible and has a household budget	QF1 and QF2	The score is based on a derived variable, created from the responses to two questions.	1 point if personally or jointly responsible for money Management [QF1='1' or 2] AND household has a budget [QF2='1']. 0 in all other cases.
Active saving	QF3	This question identifies a range of different ways in which the respondent may save. A refusal is scored as 0.	1 point for any type of active saving (answers a, c, d, e, f, g), and relevant options added at the national level. 0 in all other cases. Letting money build up in a bank account is not considered to be *active saving* (answer b) and gives 0 points towards the score.
Considered purchase	QF10_1	This is a scaled response ("Before I buy something I carefully consider whether I can afford it")	1 point for respondents who put themselves at 1 or 2 on the scale [agree]. 0 in all other cases.
Timely bill payment	QF10_4	This is a scaled response ("I pay my bills on time").	1 point for respondents who put themselves at 1 or 2 on the scale [agree]. 0 in all other cases.
Keeping watch of financial affairs	QF10_6	This is a scaled response ("I keep a close personal watch on my financial affairs").	1 point for respondents who put themselves at 1 or 2 on the scale [agree]. 0 in all other cases.
Long term financial goal setting	QF10_7	This is a scaled response ("I set long-term financial goals and strive to achieve them").	1 point for respondents who put themselves at 1 or 2 on the scale [agree]. 0 in all other cases.
Choosing products	Qprod2 and Qprod3	This score uses a derived variable drawing information from 2 questions. It is only possible for a respondent to score points on this measure if they have chosen a product: those with 0 score on this measure have either refused to answer, not chosen a product, or not made any attempt to make an informed decision. The list of products is tailored to national markets. The score seeks to make a general comparison of behaviour	The variable "choosing products" is constructed by creating two intermediate variables, and then creating a derived variable. Country specific responses can also be coded. The two intermediate variables are the following: 1) Qprod_D1: "Tried to compare across providers" taking value of: • 1 if variable Qprod2 is equal to 1 or 4 (I considered several or I looked around but there were no others), and • 0 otherwise. Note that 0 includes no recent product choice/not applicable. 2) Qprod_D2: "Sought information or advice" taking values • 1 if yes at Qprod3 b, c, d, i, j, k, l, m or r (information picked up in branch/ product specific information found on the internet/Information from sales staff of the firm providing the products / Advice of friends/relatives (not working in the financial services industry) / Advice of friends/relatives (who work in the financial services industry) / Employer's advice / Newspaper articles / Television or radio programmes / Other source [if

		when choosing a financial product.	relevant]) • 2 if yes at Qprod3 e, f, g or h (Best-buy tables in financial pages of newspapers/magazines / Best-buy information found on the internet / Specialist magazines / Recommendation from independent financial adviser or broker) • 0 otherwise. Note that 0 includes no recent product choice. The final variable – Qb7_new "Tried to shop around or use independent info or advice" has been slightly refined from earlier versions. It takes the following values: • 2 if CProd_D2 =2. The value of 2 indicates "Used independent info or advice" • 1 if CProd_D1 =1 *or* CProd_D2 =1. The value of 1 indicates "Some attempt to make informed decision" • 0 Otherwise. The value 0 indicates "'Not shopped around and no attempt to make informed decisions (including no recent product choice)". The change has been made to better reflect the benefit of using independent information and advice.
Borrowing to make ends meet	QF12	The score is based on a derived variable that seeks to identify respondents who are making ends meet without borrowing. It uses QF12 to identify those who have borrowed to make ends meet.	0 if the respondent used credit to make ends meet, that is if he/she responded Yes at any of the following – or other country specific responses indicating that he/she used credit to make ends meet: QF12_3_e = Borrow from family or friends QF12_3_f = Borrow from employer/salary advance QF12_3_g = Pawn something that you own QF12_3_h = Take a loan from your savings and loans clubs QF12_3_i = Take money out of a flexible mortgage account QF12_3_j = Apply for loan/withdrawal on pension fund QF12_4_k = Use authorised, arranged overdraft or line of credit QF12_4_l = Use credit card for a cash advance or to pay bills/buy food QF12_5_m = Take out a personal loan from a financial service provider (including bank, credit union or microfinance) QF12_5_n = Take out a payday loan QF12_5_o = Take out a loan from an informal provider/moneylender QF12_6_p = Use unauthorised overdraft QF12_6_q = Pay my bills late; miss payments 1 in all other cases, including refusals and respondents who did not have problems in making ends meet.

Note: Question numbers refer to the 2015 toolkit. Source: OECD (2016).

Appendix A4. Computing a financial attitudes score

The attitudes score is computed as the sum of the values for the three statements and then divided by three.[28] The attitudes score, therefore, ranges from 1 to 5.

Attitude	Question number
I tend to live for today and let tomorrow take care of itself	QF10_2
I find it more satisfying to spend money than to save it for the long-term	QF10_3
Money is there to be spent	QF10_8

Note: Question numbers refer to the 2015 toolkit. Source: OECD (2016).

[28] Where two attitude statements have been used, the score is also based on the average.

Appendix A5. Measuring financial inclusion indicators

Indicator	Question number	Discussion	Method used
Holds payment product	Qprod1_b	Identifies payment products across country level data. These may include prepaid cards and current/checking accounts.	Binary variable: takes value of 1 if any product is held, otherwise 0
Holds saving or retirement product	Qprod1_b	Identifies savings, investment and retirement products across country level data. These may be pensions, investment accounts, savings accounts, or savings clubs.	Binary variable: takes value of 1 if any product is held, otherwise 0
Holds insurance	Qprod1_b	Identifies insurance products across country level data. These may include car or travel insurance.	Binary variable: takes value of 1 if any product is held, otherwise 0
Holds credit product	Qprod1_b	Identifies credit products across country level data. These may include mortgages, credit cards and microloans.	Binary variable: takes value of 1 if any product is held, otherwise 0
Aware of at least 5 products	Qprod1_a	Counts all positive responses across Qprod1_a	Binary variable: takes value of 1 if any product is held, otherwise 0
Recent financial product choice	Qprod1_c	Identifies individuals that have made at least one product choice	Binary variable: takes value of 1 if any product is held, otherwise 0
Relying on family and friends	QF3 and QF13	Identifies people who turn to family or friends to save money for them, or to help them to make ends meet	Binary variable: takes value of 1 if saving through family and friends **or** turning to family and friends to make ends meet, otherwise 0

Note: Question numbers refer to the 2015 toolkit. Source: OECD (2016).

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