

## Sada Reddy: Financial literacy for all

Speech by Mr Sada Reddy, Governor of the Reserve Bank of Fiji, at the Launch of the 2010 Green Ribbon Campaign, Suva, 19 August 2010.

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Chairman and Members of the Financial Literacy Working Group, distinguished guests, ladies and gentlemen.

### Introductory remarks

A very warm welcome to you all. I am delighted to be here today to officially launch the Green Ribbon Campaign, a partnership of the public, private sector and non government agencies to raise awareness and promote financial literacy for all.

Today marks the beginning of a week of awareness on the benefits and need to promote financial literacy for all. Financial literacy, ladies and gentlemen, has been recognized as an important skill that helps individuals to participate in a modern economy, as it enables one to confidently manage and make informed decisions relating to their personal finances. Financial literacy is an empowering skill that is needed throughout life, from childhood through to retirement. Where ever people are, whether they live in an urban or rural area, they will be faced with different types of financial decisions throughout their lives – whether it's balancing their income with day to day living expenses, managing borrowings for major purchases such as a house or planning ahead to meet needs or unforeseen risks.

It is therefore not at all surprising to learn, that so many countries have put into place strategic policies, to ensure that financial literacy is available to all citizens. Here in the Pacific the importance of financial literacy has been recognized at the regional level by Pacific Education Ministers and Finance Ministers in 2009. At their October meeting, Finance and Economic Ministers agreed that each Pacific island nation, through combined actions of the public and private sectors, achieve the following goals by 2020:

- *all children to receive financial education through core curricula;*
- *all adults to have access to financial education;*
- *simple and transparent consumer protection to be in place; and*
- *halve the number of households without access to basic financial services.*

### ***What has been done to promote financial literacy in Fiji?***

I am very happy to say the Reserve Bank has taken on a lead role in this area. We have taken a different approach in that the Reserve Bank has taken the initiative to support Government in setting up the Financial Literacy Working Group comprising private, public sector and non government agencies working with the National Financial Inclusion Taskforce (NFIT).

NFIT was established in February this year to promote greater financial inclusion in Fiji. This Green Ribbon campaign being launched today is the initiative of the Financial Literacy Working Group of NFIT.

The Financial Literacy Working Group has identified three key areas as their task plan that they will work on this year. These are;

1. ***Develop a national strategy*** – this would require a stock take and assessment of current financial literacy programs and to carryout a national financial literacy survey and to use the results to formulate Fiji's first financial literacy strategy

2. ***Develop and implement a financial education curriculum to be offered in all schools***
3. ***Develop financial competencies at household levels***

Considerable work has already been undertaken in these areas by the Working Group and you will be pleased to note the progress achieved to date.

***On teaching financial literacy to school children:*** The Pacific Financial Inclusion Program (PFIP) engaged a team of consultants from the New Zealand Young Enterprise Trust to develop an implementation strategy in April 2010. The strategy, which will see teaching of financial literacy from class 1 to Form 7, has been endorsed by the Minister of Education and the NFIT. We are confident that by 2012 onwards all our children that pass through the national school education system will have attained some fundamental competencies that will assist them in making informed financial decisions that positively impact on the management of personal and household's finances.

### ***Household and adult financial competencies***

Whilst it is all very well and good to teach our children about better management and understanding of their personal finances, it cannot be very effective unless these lessons that are taught at schools are also being supported and practiced in their home environment. This brings us to the importance of adult financial education. Financial issues are constantly changing reflecting the modern society that we live in.

Today more than ever before people are being faced with financial decisions earlier in their life. The availability of easy credit and the pervasive power of advertising expose consumers to so many choices and challenges. Consumers need to weigh up and carefully consider these choices, as all too easily uninformed decisions can lead to too much debt that can spiral into a crisis. It also does not help when consumers find it difficult to assess and compare costs of financial products or services because of lack of information and technical jargons and terms that are too complicated or intimidating to understand.

Financial literacy is, therefore, a protection mechanism that Governments can employ to empower and assist consumers to make informed choices and decisions. When consumers are better informed they are in a better position to save money, plan ahead and to some extent avert financial crises. There are also many benefits when consumers shop around, they are able to drive competition and help in the most efficient allocation of capital that will help develop greater productivity of resources and contribute to growth in our economy.

### ***Develop a national financial literacy strategy for Fiji?***

The importance of financial literacy to our nation cannot be underestimated, particularly when it supports and promotes a range of Government economic and social policies such as financial inclusion. In this regard I am pleased to announce that work has already begun on formulating a National Financial Literacy Strategy for Fiji. A consultant is working with the Pacific Financial Inclusion Program to conduct a Financial Competency Survey. The Survey is expected to be carried out in the first quarter of 2011 and will determine the level of financial competency of low income households and the results will assist the Financial Literacy Working Group to form the basis of a medium term strategic plan to strengthen financial literacy in the country.

We are aware and commend the different organizations out there that are already conducting financial literacy programs for their target clients. We would like to see more programs made available to the different age groups and sectors of our communities. For example there is a lack of awareness on retirement planning and this will need to be addressed as the Fiji National Provident Fund has announced major policy changes relating to workers retirement fund.

## **Concluding remarks**

Let me wrap up by informing you ladies and gentlemen, that Fiji, like any other developing country, is currently reviewing and reforming its financial sector to make it a locomotive for growth and development.

The National Financial Inclusion Taskforce shares Government's vision to have more of our people in the informal sector to move into the formal sector so that they can all actively contribute to economic activity that will create employment and prosperity for all our people. It is through initiatives such as improved financial literacy that will enable our people to make informed decisions, plan and work towards improving their livelihoods.

However, the task of imparting financial knowledge and competency will require the support of all stakeholders in the private, public and NGO's. We have taken the right approach in establishing the National Financial Inclusion Taskforce and its supporting Working Groups. The challenge is ensuring that information is available in an easy to understand language and is accessible to those who need it so that we will realize the goal of developing a financially literate society.

We can all contribute to financial literacy this week by encouraging our families, friends and colleagues to join us in learning and talking about financial literacy within their different groups.

Ladies and Gentlemen, a nation – whose people save, spend and invest wisely is a robust and resilient one.

With these words, I now declare the Green Ribbon Campaign week open and wish you great success.

***Thank you.***