

Amando M Tetangco, Jr: Financial education and consumer protection – triggering a positive ripple effect

Speech by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the Launch of Wealth Watch Book II, Manila, 6 June 2017.

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Thank you for joining us at the launching of the second volume of the Wealth Watch book of the Bangko Sentral ng Pilipinas.

This is a special event that marks our continuing program to help improve the lives of Filipinos through financial inclusion, education and protection.

In particular, this book provides practical tips on wealth creation and enhancing the readers' financial well-being through investments management and entrepreneurship. Indeed, the increasing sophistication of financial markets makes continuing financial education necessary.

Thus, even as we encourage our youth and the unbanked to develop the habit of saving, we also continue to develop for those who already have savings, guides on how to make prudent decisions to grow and invest their money.

The timing is perfect. The Philippine economy has been growing consistently and in recent years at levels regarded as one of the fastest in Asia. In fact, our growth rate of 6.4% in the first quarter this year, brought our record of achieving uninterrupted GDP growth for 73 consecutive quarters now. In other words, our economy has been on a growth track since the first quarter in 1999 or in the last 18 years.

To make this economic growth meaningful and inclusive, we should continue to empower our people to prosper and achieve financial security.

The link between financial literacy and the economy

Ladies and gentlemen. An increasing body of research shows that a financially-literate population can create “economic ripples”. They have higher levels of savings and diversified investments. They manage credit and mortgages well, and make retirement planning a priority.¹ In short, they make good financial decisions that lead to better economic well-being for themselves, their families and eventually, their communities. Very few initiatives have such transformational power.

Financial literacy in the Philippines

As a people, therefore, we should aspire for the development of a financially-learned citizenry who can protect themselves from fraud, even as they gain from being part of the financial system and a robust economy. In this manner, they can contribute to the sustained growth and strength of our economy.

This is the challenge before us. A World Bank survey indicated that, on average, Filipino adults correctly answered only three out of seven financial literacy-related questions. The same survey also found that Filipinos lack specific knowledge required to make informed saving and borrowing decisions.² Clearly, there is a need for effective financial education interventions.

The BSP Economic and Financial Learning Program

The BSP has long recognized the importance of economic and financial education and its potential to help improve people's lives. In 2010, we consolidated all BSP learning events under one umbrella – the Economic and Financial Learning Program (EFLP) to ensure consistency of

messages, synergy of activities, and efficient use of resources. We focused on current economic issues, the role of the BSP in the economy, good money habits, personal finance management and financial consumer protection.

EFLP now consists of more than 10 component programs designed for specific audiences: the children, college students, the working sector, investors, overseas Filipinos, and selected unbanked sectors. This is a nationwide program that involves seven departments within the BSP, as well as our regional offices and branches.³ EFLP participants have rated the programs with an average of 4.5, with 5 as highest possible score.

Having said this, we know a lot more needs to be done. In this connection, we will continue to enhance, innovate and diversify our outreach programs to determine the most effective and efficient ways to reach our target audience and attain our education objectives.

Financial education, a key component of consumer protection

At the BSP, financial education is not just an advocacy — it is integral to the Financial Consumer Protection Framework. This is a set of regulations that promotes consumer welfare and upholds – within BSP-supervised institutions – a culture of transparent, fair and responsible treatment of consumers. This means that financial institutions under BSP supervision will be held accountable for ensuring that consumers are:

1. Provided with correct and understandable information about their financial transactions;
2. Protected from mis-use or abuse of their personal data through risk-based data handling procedures;
3. Treated fairly and professionally, with the consumer's well-being in mind;
4. Given access to an objective and efficient mechanism for complaint resolution and redress; and
5. Assisted to make sound decisions through objective financial education and awareness-raising methods.

Indeed, we remind our institutions that a customer-centric approach to any business, including banking and finance, works well and makes for good business in the end.

At this point, I want to share key lessons we have learned along that way:

1. First — Consumer protection and financial education is a collective responsibility. Regulations set in place by regulators such as the BSP could only be as effective as the manner in which these are observed and implemented by financial institutions. At the same time, our people must do their part to become financially-literate.
2. Second — Multi-sectoral partnership and collaboration is critical in promoting consumer literacy and protection. We are a country of over 100 million people, and growing. We have varied demographic, geographic, learning preferences and cultural characteristics, that must be considered when designing and implementing consumer education programs.
3. Third — The efficiency and effectiveness of policies and programs must be monitored and measured using suitable methodologies. Among others, we want to measure changes in consumer behaviour as a result of education interventions and consumer protection measures. Only through fact-based measurement will we be able to calibrate our programs to become more effective and efficient.

Conclusion

Ladies and gentlemen, while we continue to register gains in the goals we have set for financial inclusion, education and consumer protection, we do need to further broaden and deepen

engagement with our financial consumers.

I wish to reiterate therefore that the BSP is open to partner with like-minded organizations that share our vision of a financially-literate citizenry. Together, we can develop a financially secure future for our family, our community and our country.

Maraming salamat, at magandang hapon!

Mabuhay ang ating mahal na bansang Pilipinas!

Mabuhay po tayong lahat!

¹ Sources: Lusardi and Mitchell, 2007; Lusardi and Tufano, 2008; Stango and Zinman, 2006; Lusardi and Mitchell, 2007; Alessie, Lusardi and van Rooij, 2007; Hogarth and O'Donnell, 1999.

² World Bank, 2015, Enhancing Financial Capability and Inclusion in the Philippines: A Demand-Side Assessment.

³ EFLC, FCPD, IFAO, CORAO, DER, DES, CIO and regional offices/branches.