
The National Strategy for Financial Education: Synergy of public and private sector initiatives

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Presentation Outline:

- About Georgia
 - Overview of the financial sector
 - Financial inclusion and financial literacy in Georgia
- National Strategy for Financial Education
 - Development process
 - The role of government, public and private sectors
 - Implementation process and challenges
 - Cooperation with the Ministry of Education – influencing financial education policy
- Financial Literacy Initiatives of NBG and key figures

Georgia at a glance

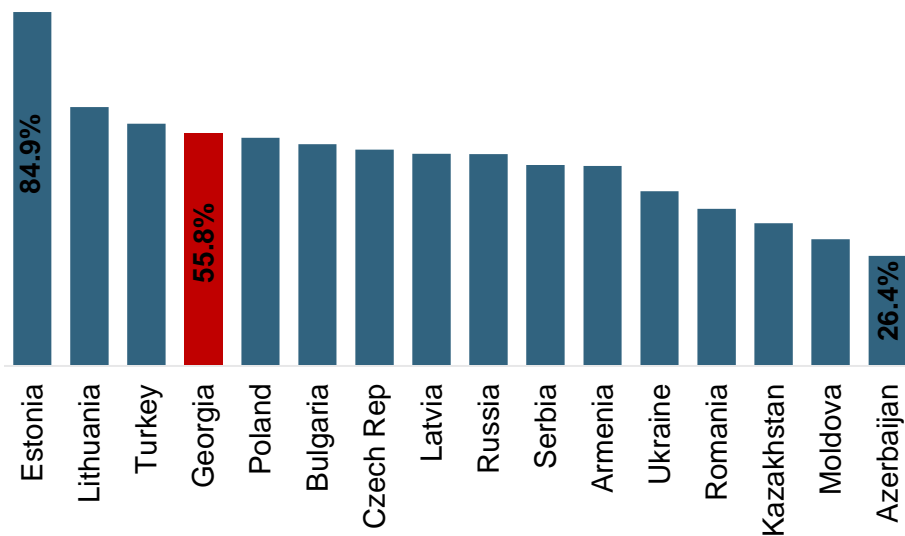
- Area: 69,700 sq km
- Population: 3.7 million (2016)
- GDP 2016: US\$14.33 billion
- GDP per capita 2016 (PPP): int\$ 9,996
- Average GDP real growth (2007-16): 4.5%
- GDP real growth 2017 I Q: 5.1%
- Average inflation rate (2009-16): 3.1%
- External public debt / GDP 2016: 34%
- Current Account/GDP: -13.5%
- Sovereign ratings:
 - Fitch BB-/Stable
 - S&P BB-/Stable
 - Moody's Ba3/Stable
- WB Ease of Doing Business - Georgia ranks 16th among 190 economies worldwide
 - Georgia's ranking improved by 7 points since 2016
 - Georgia ranks 7th in "Getting Credit" category
 - Depth of Credit information index – 8 out of 8 points (vs. OECD high income average of 6.5; Europe and Central Asia average of 6.4)
 - Strength of Legal Rights index – 9 out of 12 points (vs. OECD high income average of 6.0; Europe and Central Asia average of 6.4)



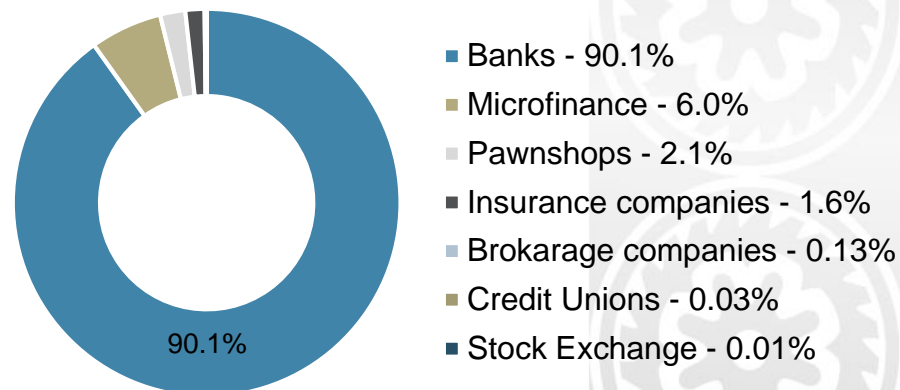
Overview of the financial sector

- The financial sector is mainly dominated by commercial banks.

Loans/GDP



Structure of the Financial Sector by Assets



Source: NBG, World Bank

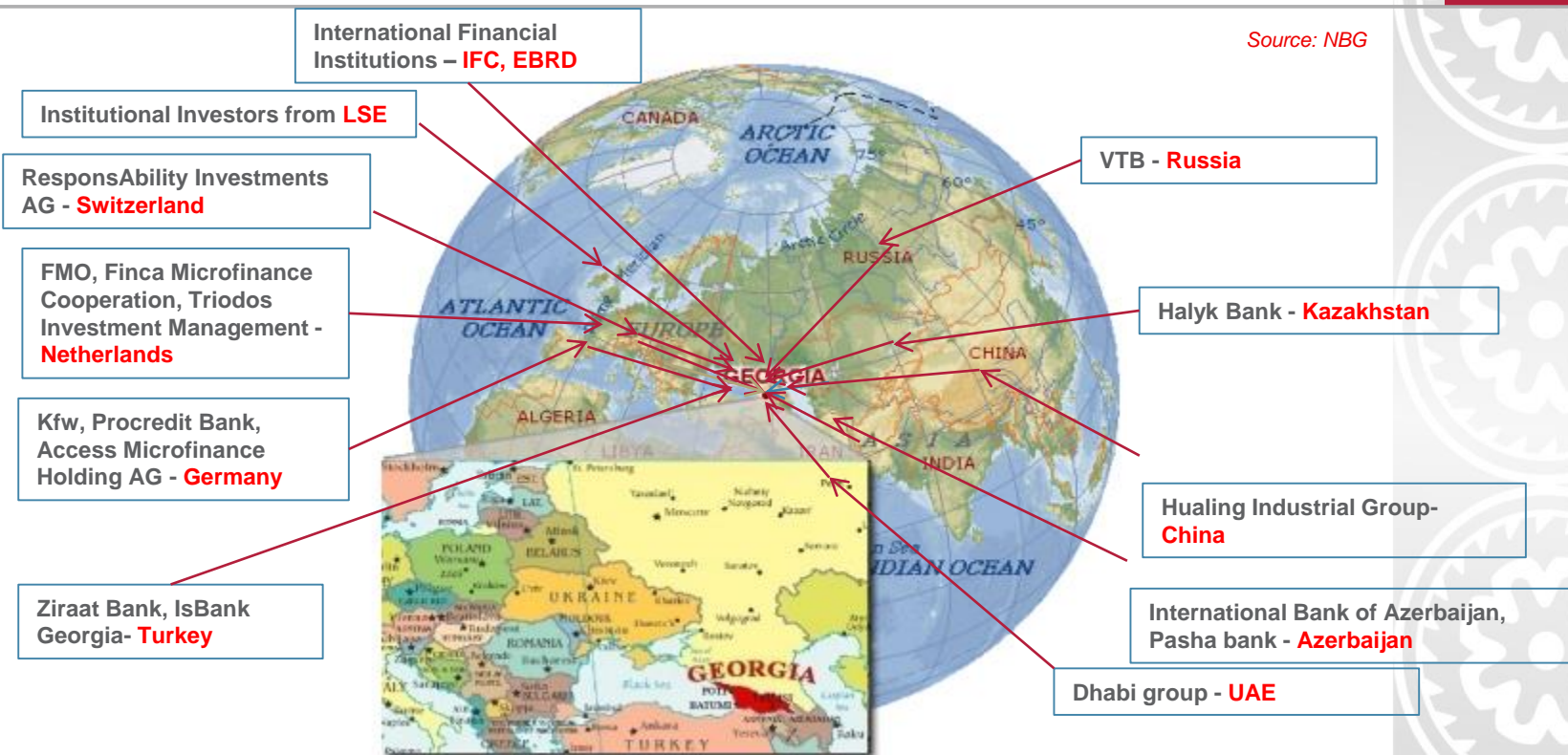
As of Dec 2016

Diversified shareholder structure

Around 90% of assets are foreign owned

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Source: NBG



- 16 commercial banks in total
- Two largest banks: almost 60% of total sector assets. However, competition assessed to be intense.
- Banking consolidation trend due to the increased competition.
- Two largest banks - TBC bank and Bank of Georgia - listed on London Stock Exchange.

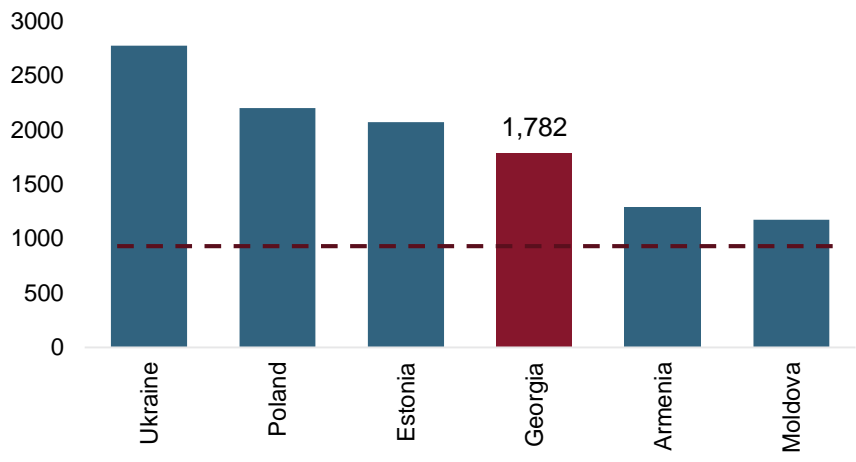
FSAP: “An advanced banking supervision framework”

According to the assessment by the joint IMF and World Bank mission under Financial Sector Assessment Program (FSAP) of 2014, the National Bank of Georgia (NBG) exhibits a **very high degree of compliance with international standards**:

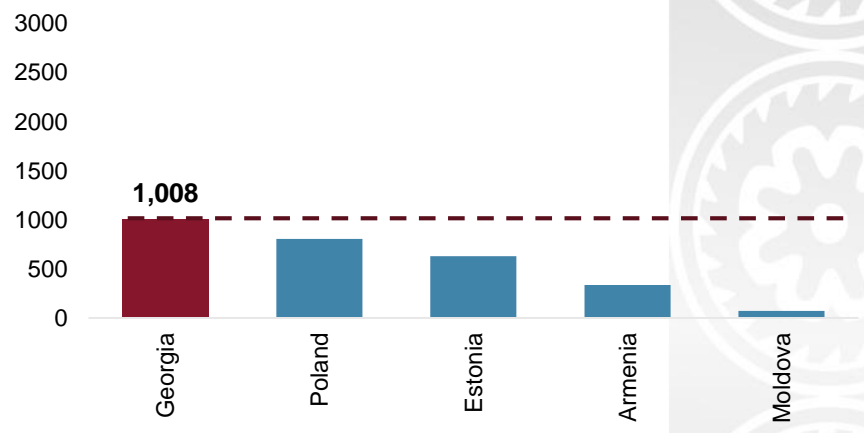
- “The NBG developed an **advanced supervisory approach** that is comprehensive, forward looking, and risk-based, proportionate to the systemic relevance of supervised banks. It is comprehensive because it addresses all risks emanating from banks and the banking system. It is forward looking because it includes elements such as stress test, business model, corporate governance, and capital and contingency planning. It is risk-based because it focuses on the most important risks”.
- “The NBG made enormous progress in the supervisory tools and techniques they are using. In many ways the NBG’s approach is **an example for other developed countries**”.

Financial Inclusion & Financial Literacy

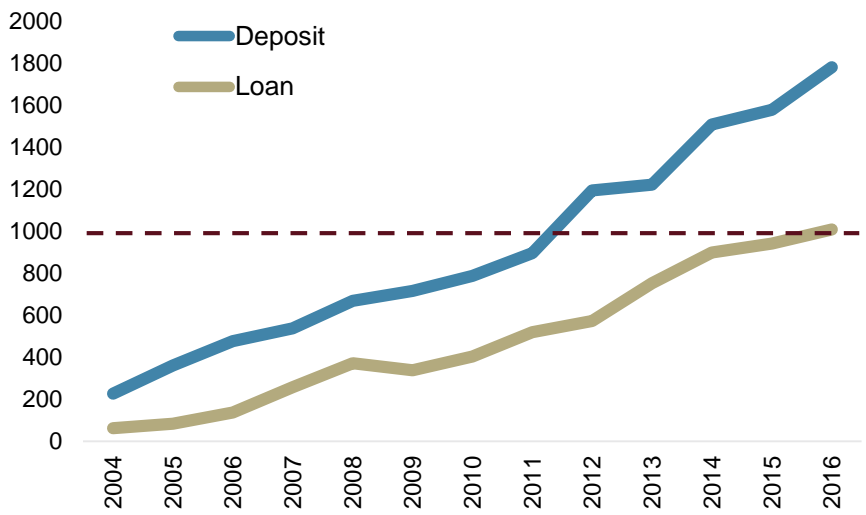
Deposit accounts with commercial banks: o/w households per 1,000 adults(IMF 2016)



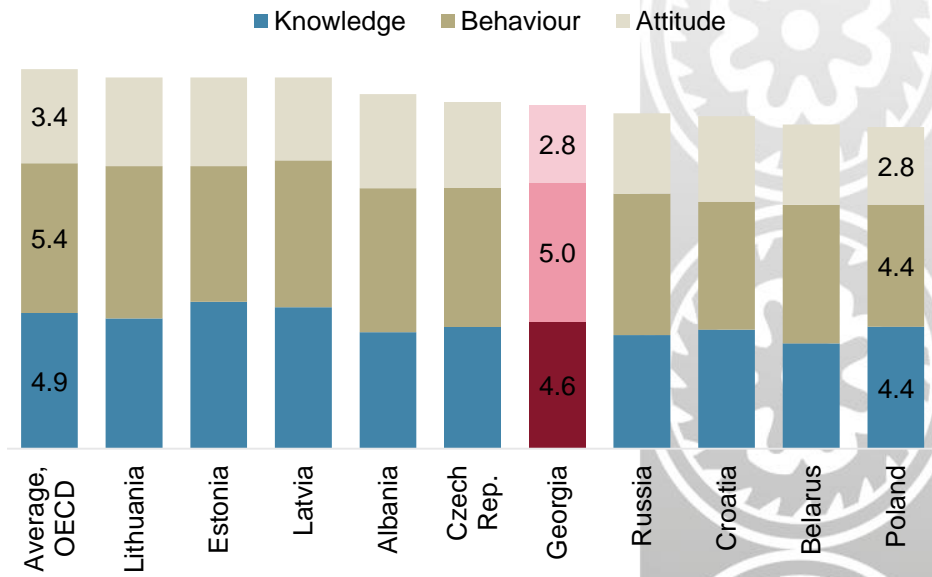
Loan accounts with commercial banks: o/w households per 1,000 adults (IMF 2016)



Deposit and Loan accounts o/w households per 1,000 adults, Georgia (IMF 2016)



OECD Adult Financial Literacy Competencies, 2016

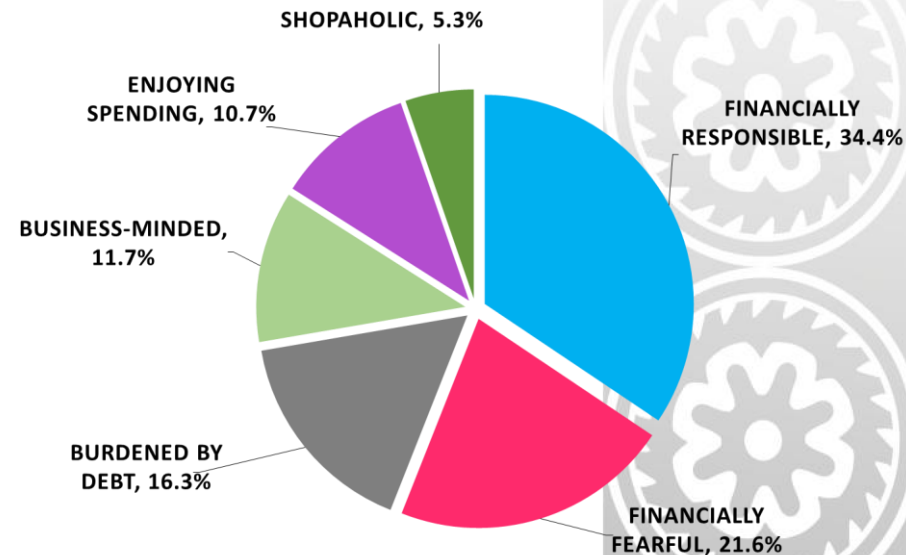


Financial Literacy and Inclusion Study (2016)

Financial knowledge (max: 7)	Financial behavior (max: 9)	Financial attitudes (max: 5)	Financial Literacy (max: 21)
4.5	5.0	2.8	12.3



Population segmentation by money management styles:



Some Findings:

- Most of the population has a satisfactory knowledge of basic financial terms, but struggle with complex questions – e.g. compound interest;
- The population displays mixed financial behaviors – e.g. 89% pay bills on time, but 41% do not set long-term financial goals;
- Less than 40% managed to save money last year; 75% are unprepared for unexpected financial challenges; 45% borrowed to make ends meet during shortfall of income;
- Most of the population approaches borrowing with caution, yet considers that “money is there to be spent.”

The National Strategy for Financial Education (2016)

The rationale for introducing the Strategy:

- The need for fostering financial literacy as an essential life skill of the population:
 - Part of consumer protection policy
 - Central task in face of complex products and aggressive marketing
- The need for clear leadership, communication and cooperation with stakeholders:
 - Educational initiatives to date: uncoordinated, overlapping, mostly marketing
 - Benefits of a coordinated strategy demonstrated through international experience: 59 economies worldwide are implementing national strategies

The development process:

- Received assistance from Savings Banks Foundation for International Cooperation (SBFIC)
- Used 2016 Financial Literacy and Inclusion Study results as a baseline
- Developed the Strategy in close cooperation with public, private and civil sector stakeholders

Strategic target groups:

- Young generation – pupils and students
- Unemployed persons
- People employed in large companies and organizations
- Rural population
- People in front of special life events

The National Strategy for Financial Education (2016)

Governance Structure: High-level Steering Committee established in 2016

- Meets quarterly, makes high-level decisions
- NBG Governor is the Committee Chairperson. Members include:
 - The Ministry of Education and Science of Georgia
 - The Administration of the President of Georgia
 - Commercial banks
 - Microfinance institution
 - Universities
 - International donor organizations
- Non-members can be involved in developing individual programs

Strategy implementation at the moment:

- Held two Steering Committee meetings in 2017
- Developed Strategy Roadmap for 2017-2019, monitoring and evaluation guidelines, high-level principles for endorsing financial literacy programs
- Made high-level commitments:
 - Working group drafts and presents action plans to the Committee
 - Specific, numerical targets set on the level of individual programs
- Planned programs for 2017-2018:
 - Programs for rural population, students and workplaces
 - Financial education webpage
 - External communication strategy

The National Strategy for Financial Education (2016)

Main challenges and obstacles:

- Challenge due to the lack of experience with financial education for many stakeholders
- Challenge of separating marketing and educational programs
- Challenge of motivating key public and private stakeholders
- Challenge of balancing competition and cooperation
- Challenge of setting targets on the level of the Strategy and individual programs

Cooperation with the Ministry of Education and Sciences – financial education policy

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Formal Education

- Financial education to become part of the National School Curriculum for grades VII-IX
- Piloting starts 2017-2018
- Topics include:
 - Saving and investing
 - Income, expenses, charity and money management
 - Financial system
 - Consumer rights and responsibilities
 - Borrowing responsibly
 - Financial risks and insurance
 - Etc.

Informal Education

- In cooperation with Child and Youth Finance International (CYFI), and with the endorsement from the Ministry of Education and Science, Georgian SchoolBank module developed
- The pilot project will be launched at public schools in Tbilisi and neighboring areas, and National Youth and Children's Palace from September 2017
- 1 commercial bank involved; others TBD

Financial Literacy Initiatives of NBG

- Awareness raising campaigns and trainings

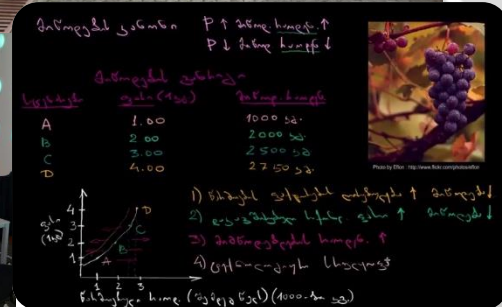
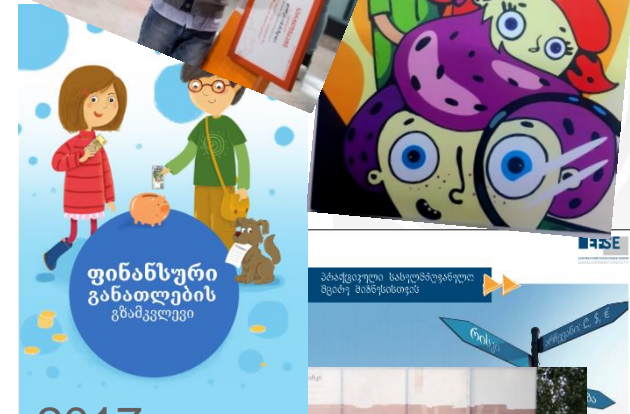
- Global Money Week
 - 15 stakeholders (incl. banks) and >160,000 children reached in 2017
- World Savings Day and saving mascot/website
 - 8 commercial banks engaged in 2017
- Public lectures for different audiences
 - 2,000 students reached in 2016-2017
 - Cooperation with universities
- NBG/SBFIC training of Georgian Armed Forces
 - 85 participants from the Ministry of Defense in 2017

- Print and Online Resources

- Brochures and tools for adults
 - 10,000 brochures distributed through banks in 2016
- Games and books for children

- Video resources

- 37 Khan Academy videos
 - > 16,000 views



Thank you for your attention

References

- *National Strategy for Financial Education in Georgia, 2016*
- *OECD/INFE International Survey of Adult Financial Literacy Competencies, 2016*
- *The World Bank: Doing Business*
- *IMF: Financial Access Survey (FAS)*
- *NBG/EFSE DF: Financial Literacy and Financial Inclusion Study, 2016*