

Financial Illiteracy in Latin America

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Latin America experienced a drastic economic growth since the beginning of the XXI Century. As a result, in the last decade national governments and regional organizations started to promote a number of campaigns to improve financial literacy. However, this issue is related directly with financial inclusion in this region since 50% of Latin American population still do not have access to financial services. This reality is due to the fact that, according to the UNDP, Latin America is the most unequal continent in the world. This report will give an overview of the reports done by the Development Bank of Latin America (CAF), national and regional initiatives to combat the issue and some critiques about international guidelines and solutions.



CAF'S REPORTS

In 2011, approximately 51% of Latin American households had an account in some type of financial institution (regulated and non-regulated). In fact, only 39% of adults had an account in a formal financial institution. Moreover, these statistics were based on data collected from big urban cities from Latin America, this it does not reflect

the reality. This is because the population from urban areas has a much higher access to financial services than rural area. To aggravate this situation, there is an embedded culture of informal services in the region, leading to a greater number of scams. This alongside with the lack of financial knowledge results in a high number of victims of financial fraud.

In another report, done by the CAF, the main groups who are victims of financial illiteracy were highlighted, those are: women, rural area citizens, elderly, and social and economic marginalized groups.

- Women

Women has, generally, less financial knowledge than men; nevertheless, they are the ones responsible for household budgets. Besides that, there is a high rate of economic violence against women, which is not recognized as a crime in Latin America.

- Rural Area Citizens and Social/ Economic Marginalized Groups

Majority of Latin American countries' economies are based on agriculture and livestock. These activities are done in large (exportation of commodities) or small scales (for local markets and family purposes). The population of rural areas (which is very high when compared to other countries) do not have access to basic infrastructure, such as: good phone signal, internet, formal financial institutions and there is a lack of education. Additionally, people from marginalized groups (such as people from the favelas and barrios) do have access to internet and good education. As a result of this reality, many countries of the region have a low score on the Program for International Student Assessment. For example, according to this assessment Brazil is the third worst country in the world in respect of financial competence among the youth and 2 in every 5 people (58% of the population) were unable to define inflation.

- Elderly

Unlike other states, people in Latin America are not active savers (only 30% of Brazilians population is an active saver, and 24% in Argentina). Additionally, there is a cultural belief, among the elderly population, that banks and other financial institutions are not trustworthy. These two factors combined, result in a significant amount of debt. This was proved by a 2016 reported where it stated that debt grew 3.5 times faster among senior citizens than the rest of the society in Brazil.

National and Regional Initiatives

National governments and corporations have been promoting different projects to improve financial literacy and inclusion in Latin America. One leading initiative is done by Santander. The bank launched, in 2019, an online platform that offers financial

information and tools, such as a financial planner, with the intent to provide free financial education. Furthermore, the CAF alongside with national governments started a yearly campaign called: National Financial Literacy Week. In Brazil this campaign started in 2010 with 150 initiatives and in 2019 it had over 15000 initiatives, reaching up to 70million people.

National governments are gradually making mandatory to include financial education on the school curriculums, both in elementary schools and high schools. One very interesting project started in 2018, where the Brazilian Ministry of Economy and the Mauricio de Sousa Institute (the most famous Brazilian institute of comic books) partnered up to create and distribute freely comic books about financial education to schools in vulnerable areas.

International Guidelines

International guidelines to combat financial illiteracy are mainly based on digital services, however most Latin American people who are financially illiterate are also digitally illiterate. Hence there are two options to be taken into considerations. The first would be, that Latin American countries should double or even triple their efforts to promote financial literacy by investing in a campaign/work to also promote digital literacy. In addition, the same countries, would also have to ensure that all people from marginalized backgrounds and rural areas have access to digital services and tools, such as internet, mobile phones, computers, tablets... The second option, which is arguably a more plausible one, would be that national and local governments should be more included in the negotiations of international organization, so that the measures enacted by those institutions satisfy the needs of the groups that are most affected by financial illiteracy.

Latin America has shown incredible efforts in order to fight financial illiteracy and exclusion. There are a great number of initiatives promoted by NGOs, governments and corporations. Nevertheless, there are still a long way to ensure that people have access to financial services.

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