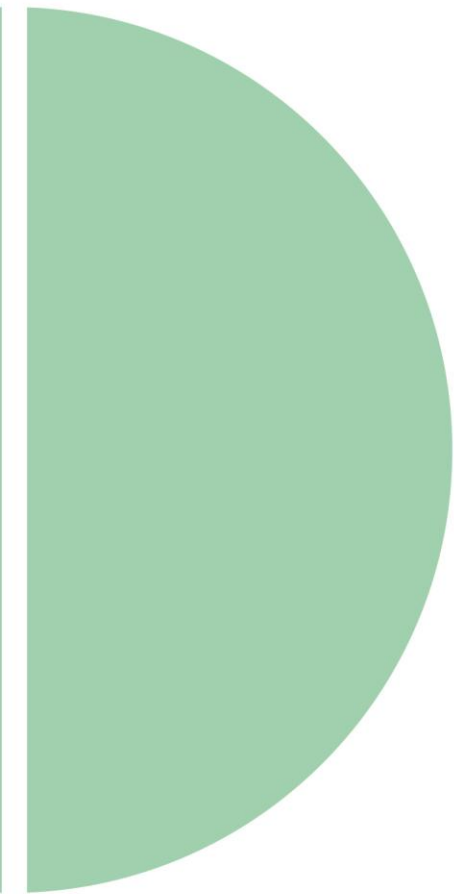

Digital Financial Literacy in Papua New Guinea



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Introduction

Increasing access to and use of financial services through digitalisation of these services is a major priority of the Papua New Guinea Government, finance and industry sectors in working towards reducing financial exclusion, promoting economic growth and improving the wellbeing of citizens. Digitalisation of financial services (DFS) is a global strategy that is showing promise in increasing financial inclusion in developing countries (BTCA, 2018; Demirgüç-Kunt, Klapper, Singer, Ansar, & Hess, 2018).

Successful DFS, requires more than just infrastructure and access. It needs to also include the opportunity for people to acquire digital financial literacy (DFL) – that is:

Having the capabilities to effectively use digital devices to manage financial products. Digital financial literacy is the intersection of access to and use of technology and digital devices, and understanding finances and having adequate literacy skills.

While there is no current measure of the levels of DFL in Papua New Guinea, we can confidently suggest that the levels are extremely low due to what we know about levels of literacy–digital and financial literacy–across the population. There are also stark differences in these capabilities between urban and rural regions and between men and women.

Why is DFL important to governments, regulators and industry?

Successful digital financial inclusion depends upon adequate levels of digital financial literacy. Investing in infrastructure, (such as digital platforms to enable mobile phone banking) will be fruitless if individuals are unable to use DFS effectively and safely. It would be the same if libraries were built everywhere without teaching people how to read.

Digital financial inclusion is extremely important to governments, regulators and industry for a number of reasons (GPFI, 2016):

- It reduces the volume of cash used in the economy
- It can help to reduce inflation in developing countries
- It has the potential to improve the wellbeing of individuals
- It can grow businesses and boost the economy
- It provides safe, affordable and convenient methods for individuals and households to participate in the economy.
- It provides a platform for governments to make direct payments to citizens





So efforts from all sectors to increase digital financial literacy in developing countries are paramount to the success of financial inclusion strategies. This is recognised in the G20 High Level Principles of Digital Inclusion—Principle 6 ‘*Strengthen Digital and Financial Literacy and Awareness*’ (GPII, 2016, p. 1).

What are the roles of governments, regulators and industry in improving consumer digital financial literacy?

Governments and regulators have an increased role to play with the growth of digital financial services if they are to fulfil the promise of financial inclusion (Staschen & Meagher, 2018)¹. The current PNG National Financial Inclusion Strategy 2016 -2020 does not specifically refer to digital financial literacy (CEFI, 2016). It does refer to the four pillars of financial inclusion being:

- An enabling policy and regulatory environment
- Usage – financial capabilities and literacy
- Quality of products and services
- Access to financial services

A more accurate and comprehensive interpretation of the pillar ‘Usage’ is digital financial literacy, which includes having skills and capabilities to navigate digital products as well as financial services. The combined concept of DFL should be specifically referred to in future financial inclusion strategies.

An important role of governments, regulators and industry in improving digital financial literacy includes developing indicators and collecting data on the capacities, capabilities, financial services needs and commercial activities of those who are currently unbanked or haven’t taken up mobile banking in places where access is available. While there are indicators for literacy, digital literacy and financial literacy across most countries—there is an opportunity for the development of a digital financial literacy scale that can be used to measure levels and improvement of DFL in Papua New Guinea.

A ‘fresh approach’ is advised for central banks and governments in developing appropriate regulation and involvement in DFS and for them to have a thorough understanding of the users’ needs for DFS (UNSW Digital Financial Services Research Team, 2015). In turn, efforts to improve digital financial literacy must also match the needs of potential users of digital financial services. If digital financial services are promoted and taken up without adequate understanding of risks, individuals and small business owners could be further disadvantaged (Sibley, 2013).

¹ See also BTCA (2015) for a comprehensive view of the actors and roles played within the DFS sector.





Supporting programs that build capacities in digital financial literacy is also an important role that is recommended by the G20 (GPII, 2016). Programs that are shown through evidence to be successful should be shared among industry and government stakeholders.

Importantly, fintechs, banks and regulators should ensure that the digital tools and systems created are simple and safe to use with in-built risk mitigating features that reduce the financial risk to users. While financial literacy is important to raise awareness of risks, all care should be taken by providers of financial products and services that reduce the level of risk to the individual. Lack of trust in the security of digital devices is a key barrier to financial inclusion through digitalisation especially among those living in rural areas (Ozili, 2018). Governments and regulators that play a visible and active role in overseeing the development of DFS and investing in programs that enable people to acquire the capabilities needed to safely use the products, will help to engender the trust of the population.

What tools and strategies have been successfully used by these groups previously?

The concept of digital financial literacy is relatively new and there seems to be little evidence at this time of successful programs that incorporate all the elements that comprise digital financial literacy. There has been a large growth in the number of financial literacy programs across Asia Pacific that target vulnerable groups— the unbanked, women, youth and poor households—that are of value and certainly many achieve what they set out to do. Financial literacy programs currently on offer aim to increase understanding and develop skills in saving, budgeting, borrowing, planning for the future and insurance. There are also many programs across Asia Pacific that are supported by the government and central banks that include materials on consumer protection, digital transaction safety, avoiding scams, and protecting credit card use etc (OECD, 2018).

In Papua New Guinea there have been and are still extensive efforts in improving financial literacy across the country. For example the Microfinance Expansion Project (MEP) has delivered financial literacy education to over 135,000 people in PNG. This is an initiative of the Papua New Guinea Government and supported by the Australian Government and the Asian Development Bank². Another financial literacy initiative by the Bank South Pacific has reached over 21,000 students

² <https://www.adb.org/publications/papua-new-guinea-microfinance-expansion-project>



across PNG³. ANZ has delivered MoneyMinded to individuals and micro entrepreneurs since 2010 and has reached approximately 10,000 people across the Pacific including Papua New Guinea⁴.

There are also programs dedicated to increasing the literacy levels of adults in PNG such as Buk bilong Pikinini⁵ and the Adult Literacy Project run by Anglicare PNG⁶. With over 860 languages in PNG, creating communication channels and a financial system that are useable by all is extremely challenging.

So while there seems to be separate streams of effort in providing education to increase financial literacy, digital literacy and general literacy, there is significant scope to bring these elements together under one program to provide relevant opportunities for people in PNG to increase their levels of digital financial literacy.

Factors influencing digital financial literacy levels in PNG

Gender

The large disparity in financial inclusion between men and women in PNG is an ongoing concern and priority. Women comprise 50% of PNG's population but own less than 30% of accounts with formal financial institutions; are less likely to communicate in English; less likely to own and be able to use a mobile phone; or be involved in the household finances (BPNG, 2014). Women in PNG also face a range of cultural barriers that impact on their levels of financial inclusion. Cultural norms such as men's entitlements prioritised over women's, Wontok obligations are greater for women, and women bear a larger proportion of the responsibility for meeting the financial needs of the household (Banthia, Tyroler, Schoeffel, & Saho, 2013).

The Bank of Papua New Guinea has set a target for 2020 to reach 1 million unbanked women—50% of their overall target of 2 million people (CEFI, 2016). Women in Papua New Guinea score less on all the criteria needed to achieve financial inclusion – access to and control over household income; adequate levels of digital financial literacy; mobile phone ownership and ability to use it for banking (Burjorjee & Bin-Humam, 2018). More will need to be done than just encouraging women to open bank accounts.

The total number of mobile financial service accounts in Papua New Guinea is 520,000 and women have 155,522 accounts—less than a third of all mobile phone accounts (CEFI, 2017).

³ <http://www.bsp.com.pg/Media-Centre/News--Announcements/2017/8000-students-undertake-basic-Financial-Literacy-Training.aspx>

⁴ <https://vanuatuindependent.com/2018/02/20/12728/>

⁵ <http://www.bukbilongpikinini.org/index.php/about/68-literacyinpng>

⁶ <https://www.abmission.org/pages/papua-new-guinea-adult-literacy.html>



By creating more opportunities for women to increase their levels of digital financial literacy and usage of mobile phone banking, key barriers to financial inclusion that women face would need to be reduced. Mobile phone banking would help women overcome issues of safety, privacy and time in carrying out payments and other financial transactions (Burjorjee & Bin-Humam, 2018). Women in Papua New Guinea face high risks of violence in travelling to reach banks and also within their household if men demand money for gambling or other pursuits (CEFI, 2016; Singh & Nadarajah, 2011). DFS provide a more secure mechanism for saving and making payments for children's education and other services that have traditionally required extensive travel and carrying significant amounts of cash (Singh & Nadarajah, 2011). Providing women with the opportunity to acquire digital financial literacy will enable them to exploit the benefits of DFS.

Urban vs Rural

It is estimated that 80% of the 7 million people that live in Papua New Guinea are located in rural areas. This is extremely challenging for the quest to increase levels of digital financial literacy. The extreme diversity of topography, languages, culture and financial needs means that singular one-size-fits all systems, technologies and strategies will not work. Nonetheless even rural households are increasingly having to engage with formal financial services and it is important that they are enabled with the capabilities to do so effectively (Sibley, 2015).

The National Financial Inclusion strategy 2016-2020 estimates that 90-100% of people living in rural areas are financially excluded. Less than half the number of rural households have a mobile phone (42.5%) compared with 89.2% of urban households (Sibley, 2015) and mobile phone capabilities, that is, having adequate digital literacy to be able to use a mobile phone, was also limited in rural areas compared to urban. Estimates suggest that 30% of men and only 10% of women in rural areas are able to use mobile phone banking services (Sibley, 2015). For digital financial literacy to be improved, capacity development to enable access and use of mobile phones in rural areas are critical pre-conditions.

Literacy and financial capability levels

Understanding and effectively using digital financial services inherently require adequate levels of literacy and fluency in English. The Papua New Guinea Department of Education state that "PNG's adult literacy situation is in dire straits"⁷. Literacy rates are estimated to be around 56% which is one of the lowest in the Asia Pacific region⁷.

⁷ Department of Education PNG "Literacy in Papua New Guinea"
http://www.education.gov.pg/NLAS/Literacy_in_PNG-NLAS.html



The financial capability levels of Papua New Guineans on the whole are low (CEFI, 2016; Sibley, 2013). Even if quality products and access are present, without adequate financial capabilities, real financial inclusion will not be achieved and customers of digital financial services risk exploitation (Sibley 2013). Along with becoming digitally literate, people in PNG need to have relevant and current understanding of how money works, the risks, benefits and methods of using money—especially in digital format—to achieve financial wellbeing.

For many Papua New Guineans, especially those in rural areas, their learning about money has not been incremental like it has in developed countries. There hasn't been a gradual shift from the different formats and methods of transacting. The giant leap from subsistence living to digital financial services experienced by the majority of the population needs to be taken into account in digital financial literacy programs and in the efforts to encourage adoption of digital products. In some respects the giant leap could be an advantage – individuals don't have to 'unlearn' processes and habits. However the giant leap may not take account of or include the basic principles of money use.

Main points

- Digital financial literacy is a relatively new construct that combines general literacy, digital and financial capabilities.
- DFL is a critical ingredient to financial inclusion and is just as important as DFS infrastructure, access and product development.
- There is opportunity to develop a scale to measure the combined concepts that comprise DFL as distinct from measures of financial literacy and financial inclusion.
- Women need access to more opportunities to acquire DFL. It seems that even when mobile phone ownership is available, the lack of DFL poses a key barrier to women using digital financial services. Governments and industry sectors need to continue to address the cultural and socio-economic barriers that are impeding the financial wellbeing of women.
- The government, regulators and industry have an increased role to play with the emergence of DFS in providing effective DFL education, evaluations and relevant data collection.

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