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“Financial Education: Obligation or an Option?”

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by Almir Salihović, Head of the Governor’s Office,
Central Bank of Bosnia and Herzegovina



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Presentation outline

- Reasoning behind the CB involvement in financial education
- Transformation of attitude
- The Message
- The Central Bank of Bosnia and Herzegovina case
- Future steps and challenges
- Strategy for the future



Reasoning - Why do you want to do it?

■ Obvious reasons:

- Being transparent is not enough, it is important to be understood – we live in an opaque world, it is important for public to recognize who we are and what our message is
 - It helps us work „in peace“ – keeps the CB out of controversy
 - It helps us achieve our goals – better public understanding helps in the implementation of monetary policy
 - It helps citizens make sound economic decisions
- Connection between financial education and financial inclusion – education as prerequisite for inclusion



Transformation of CB's attitude towards education

- The global financial crisis of 2008 as turning point
 - Financial stability
 - Crisis communication planning
 - Financial education, etc.
- Emphasis on relationship building
- Statement on future focus:
 - „on our transparent and timely proactive communication“,
 - „building relationship with different stakeholders“,
 - „improving education of different target groups to improve the understanding of the role of the CBBH“.
- Build relations on time and in good times – example of the media



Transformation of CB's attitude towards education

- In times of crises:
 - our strategic communication was our additional monetary policy instrument, and
 - our reputation was the most important pillar of our stability.

External stakeholders

Media
Government
Financial markets
Academic community
Citizens

Internal stakeholders

Bank Management
Employees of the Bank



Deciding on your financial education strategy

- What do you want to achieve ?
- What are the topics and messages which the CB wants to communicate?
- What is your delivery channel?
- Context of institutional capacity?
- Do you go alone or as a part of a larger group?

Prepare a **FEASIBLE** strategy

Clear plan
Gap analysis
How to use limited resources



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Focused strategy

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Two-way approach

Media and Government

- Direct approach – CB as educator
- Being understood
- Monetary policy implementation and promotion

Citizens (general public)

- Direct approach or via proxy – 3rd party delivers
- Raise awareness
- Financial stability



Government – training for diplomats

- Multi-institutional project (Ministry of Foreign Affairs, plus other stakeholders)
- Message tailored for economic diplomacy and potential foreign partners and investors
 - Statistical data – what can CB offer to perspective investors and where to find them
 - Monetary policy issues, financial stability, exchange rates, etc.
 - Financial sector issues (availability of payment channels, financial sector infrastructure, etc.)
- Excellent feedback – low risk, high-reward activity
- In development: written material + downloadables



Media

- The most sensitive aspect of financial education:
 - Thin line between closest allies and toughest adversaries
 - Still the most important proxy for broadcast of monetary policy decisions – make sure they understand your message
- Process must be continuous
 - Strong bond with the media makes communicating easier and faster
 - Media rapidly change – difficult to keep a steady pool of journalists
 - Relationship building – groundwork is done when things go well
 - Opportunity to prepare the media for policy changes and/or for „bad news“
- 3rd party involvement as a good tool for objective assessment



Media

■ Media policy assistance:

- Set up specific journalist briefing – update on relevant topics and announcements
- Gap assessment – interviewing the journalists + other connected stakeholders
- Key gaps – understanding where CB's mandate begins and ends, policy decisions...;
- Creating report + educational footprint





Citizens (Why financial inclusion matters?)

- Access to financial services
 - Provides better financial security – secure savings, transactions, etc
 - Access to funding – gateway to other financial services
 - Helps in coping with poverty
 - It provides possibility for financial planning, etc.
- It also helps the system
 - Grey economy reduction
 - Terrorism financing and money laundering prevention
 - Taxes...



Case of Bosnia and Herzegovina

FINANCIAL INCLUSION DATA / GLOBAL FINDEX (IN %)





Inclusion – at all cost?

- Be careful what you wish for...
- *„We should never neglect the importance of basic individual level of understanding financial issues, knowledge on how to appropriately manage one’s budget and personal/households’ wealth. This is important in the short and medium but especially in the long term, and has become an essential asset for financial stability.“ (Dejan Soskic, 2011)*
- Financial education and the consequent level of financial literacy achieved can make a difference between citizens as...
 - new anchors of financial stability, or
 - causes of financial instability



Focus on younger generation

■ Various activities

- Visits to the Bank + lectures
- Educational lectures in schools
- Events such as World Savings Day
- Organization of debate clubs

■ Basic targets:

- to teach children to distinguish desires from needs,
- information on the origin and meaning of money,
- to teach children how to manage their finances,
- understanding of the concept and advantage of early savings...

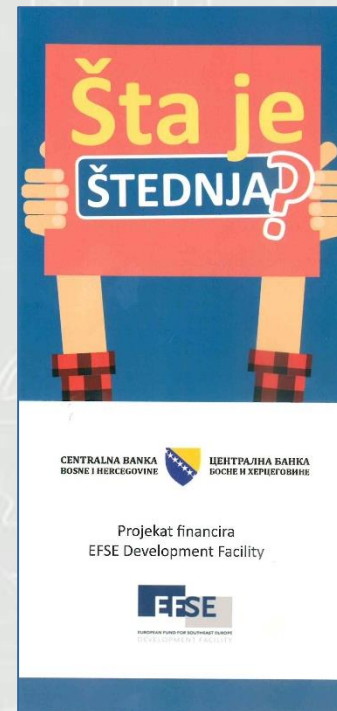
■ Activities with partners





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Publications for selected groups

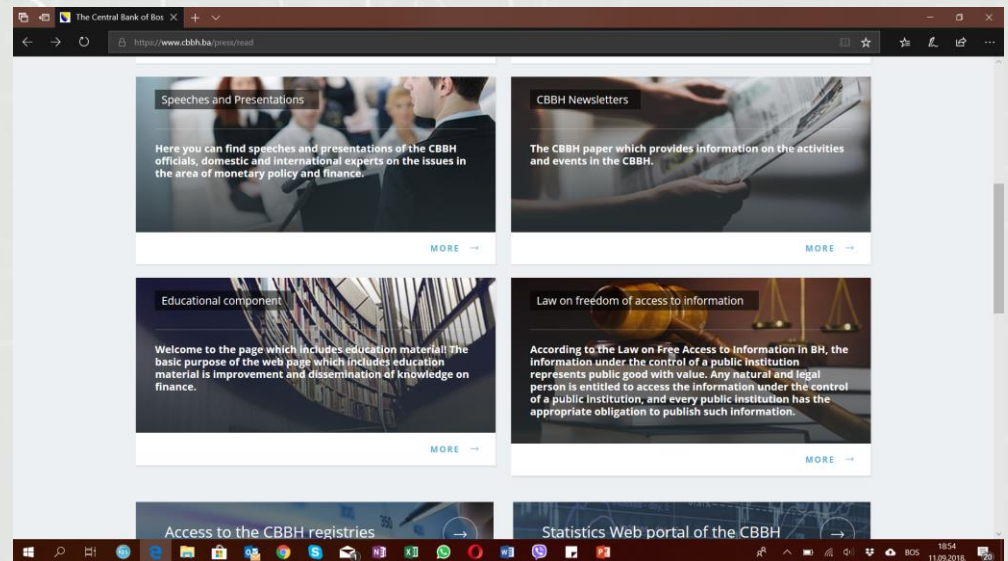




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Online channels have potential

- Factoring
- Leasing
- Capital markets
- Banks and banking services
- Exchange rates
- Effective interest rates
- Variable interest rate
- Dispute resolution - loan contract – important elements





The Message

- Understand the groups you target
- Specifics of the group – things to watch before crafting the message and education program
 - Age group – what kind of financial products and services are available for this group?
 - Social status – what products are applicable for them and how financial institutions perceive them as customers,
 - Specific issues for the group – do your homework and research
- Keep it simple
 - Time and complexity are paramount
 - Use real-life examples
 - 3rd party review



How to deliver?

- Mind the institutional capacity – do things you can actually deliver
 - How much you institution can allocate for these activities
 - Level of support by organization
- Direct engagement:
 - Lectures by CB staff members,
 - Events, such as student debates
 - Visits to CB premises with tours and presentations,
 - Guest lectures...
- Issues of effectiveness and coverage – direct engagement works, provides nice PR for the bank, but...
- CB online channels as tool for content distribution?



Conclusions

- No turning back – we are expected to deliver
- We are not allowed to fall asleep: payday lenders, crypto currencies, etc. – „*running to stand still*“
- As a consequence... It is not a “value added” nor „socially responsible activity“, it is a part of mandate – is this the case now?
- Multi-institutional approach will prevail
- Is future in education of educators?



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Thank you for your attention

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