A WHITE PAPER FOR CONSUMER FINANCIAL EDUCATION STRATEGY ON CAPITAL MARKETS

A GUIDE TO INFORM THE KENYA NATIONAL CONSUMER FINANCIAL EDUCATION STRATEGY

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ABBREVIATIONS AND ACRONYMS

ACCA	Association of Chartered Certified Accountants
ACI	Chartered Institute for Securities and Investment
ACIIA	Association of Certified International Investment Analyst
ACIS	Association of Collective Investment Schemes
ACNC	Australian Charities and Not-for-profits Commission
AFBK	Association of Family Businesses in Kenya
AFM	Association of Fund Managers
AFSA	Australian Financial Security Authority
AKI	Association of Kenya Insurers
AMERC	Africa and Middle East Regional Committee
AMFI-K	Association of Microfinance Institutions in Kenya
APRA	Australian Prudential Regulation Authority
APSEA	Association of Professional Societies in East Africa
ASEA	African Securities Exchange Association
ASIC	Australian Securities and Investment Commission
ASK	Agricultural Society of Kenya
ATO	Australian Taxation Office
CBA	Commercial Bank of Africa
CBK	Central Bank of Kenya
CBO	Community Based Organization
CDA	Central Depository Agent
CDSC	Central Depository and Settlements Corporation
CFA	Certified Financial Analyst
CIS	Collective Investment Schemes
CISI	Chartered Institute for Securities and Investment
CMA	Capital Markets Authority
CMP	Common Market Protocol
CMMP	Capital Markets Master Plan
COFEK	Consumer Federation of Kenya
COG	Council of Governors
CPD	Continuous Professional Development
CRBs	Credit Reference Bureaus
CVM	Securities and Exchange Commission of Brazil
EAC	East African Community

EAC - FSDRP I	Financial Sector Development and Regionalization Project I
EAVCA	East Africa Venture Capital Association
ETFs	Exchange Traded Funds
FESC	Financial Education Steering Committee
FIC	Financial Intelligence Centre
FMCA	Financial Markets Conduct Authority
FRC	Financial Reporting Council
FSC	Financial Sector Code
FSCA	Financial Sector Conduct Authority
GDP	Gross Domestic Product
GEMS	Growth Enterprise Market Segment
HNWI	High Net Worth Individual
ICIFA	Institute for Certified Investment and Financial Analysts
ICPSK	Institute of Certified Public Secretaries of Kenya
IE	Investor Education
IEC	Information, Education and Communication
INFE	International Network on Financial Education
IOSCO	International Organization of Securities Commissions
IRA	Insurance Regulatory Authority
IRDAI	Insurance Regulatory and Development Authority of India
KAIG	Kenya Association of Investment Groups
KAM	Kenya Association of Manufacturers
KASIB	Kenya Association of Stockbrokers and Investment Banks
KASNEB	Kenya Accountants and Secretaries National Examinations Board
KBA	Kenya Bankers Associations
KEPSA	Kenya Private Sector Alliance
KICD	Kenya Institute of Curriculum Development
KNCCI	Kenya National Chamber of Commerce and Industry
KNCFE	Kenya National Consumer Financial Education
KUSCCO	Kenya Union of Savings and Credit Co-operatives
LYP	League of Young Professionals
MTP	Medium Term Plan
NCFE	National Centre for Financial Education
NCFEC	National Consumer Financial Education Committee
NCR	National Credit Regulator
NPAT	Net Profit After Tax
NSE	Nairobi Securities Exchange
NSFE	National Strategy for Financial Education

PFRDA	Pension Fund Regulatory and Development Authority
RAC	REITS Association of Kenya
RBA	Retirement Benefits Authority
RBAU	Reserve Bank of Australia
RBI	Reserve Bank of India
REIT	Real Estate Investment Trust
SACCOs	Savings and Credit Cooperative Societies
SARB	South African Reserve Bank
SASRA	Sacco Societies Regulatory Authority
SDG	Sustainable Development Goals
SEBI	Securities and Exchange Board of India
SME	Small and Medium Enterprises
TCC	Total Cost of Credit
WIW	World Investor Week

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EXECUTIVE SUMMARY

Background to the White Paper and rationale for National Consumer Financial Education

Capital markets contribute to the sustainable growth of economies by enabling entities in the private and public sector to raise capital or trade with financial securities. Capital markets complement the largely short-term and lower risk financial products provided by commercial banks and non-bank financial institutions. Capital markets also contribute to national savings, investments by private sector actors and provide an opportunity to match long term liabilities with long term assets for institutional investors in the pension and insurance sectors among others. The cyclical effect of this is to grow national incomes, create employment and democratize access to wealth thus attaining macroeconomic objectives. Moreover, growth driven through capital markets funding generates increased revenue for nation building through taxes.

Kenya has witnessed low levels of participation in the capital markets in relation to knowledge and attitudes of the capital markets despite there being investor education programs undertaken by market players. Recent studies including the Capital Market Investor Behavioral and Situational Analysis 2017/2018 Study reveal that regulators and private sector intermediaries in the financial services sector do conduct independent education and sensitization on various market segments but the impact on the financial health of consumers has been low for a number of reasons including: poor content design and delivery, low budgeting, fragmented approach, use of complex language and lack of customer focus

Financial education in Kenya should not fundamentally be the preserve of any specific organization. Since the different financial service markets share common target groups education initiatives by various entities are best harmonized. Experience from jurisdictions outside Kenya reviewed in this White Paper indicate that, greater impact is achieved when consumer or investor financial education is steered by an entity representing the cross-section of financial sector regulators and intermediaries in capital, credit, savings, banking, insurance and pension markets. Implementing strategies for financial education at a national level has the advantage of promoting financial literacy through the government initiatives while fostering co-operation among public and private sector actors. There is also growing consideration that financial education is an additional layer of investor protection. Lessons from developed countries indicate that national strategies for financial education are effective at increasing awareness of the population and fast-tracking financial deepening towards greater consumer financial health.

Following up on previous studies that sought to assess effectiveness of investor education initiatives, in 2017 the Capital Markets Authority (CMA) sanctioned a study titled "Capital Market Investor Behavioral and Situational Analysis Study" to develop a framework for measuring effectiveness of CMA's investor education and public awareness program. The first output of the study was to develop an index to track the long-term impact of investor education initiatives while the second output was to develop a White Paper on consumer financial education with respect to Capital Markets to inform a National Consumer Financial Education Strategy. This White Paper is, therefore, the second output of the two-phased assignment commissioned by CMA in 2017.

Purpose of this White Paper

The purpose of this White Paper is twofold: (1) It provides the basis for informing investor education policy and strategies for the capital markets in Kenya and; (2) It will enable the Capital Markets Authority to contribute ideas to the Kenya National Consumer Financial Education policy and strategy for the wider financial services sector. In the White Paper, practical examples of how national consumer financial education is undertaken in different jurisdictions (India, Australia, South Africa, Brazil and Singapore) are documented and best practices borrowed. From the East African Community (EAC), the White Paper presents the context of the regional financial education framework to ensure that design of national approaches to financial education in Kenya are harmonized with findings and recommendations of the EAC Technical Working Group on EAC Financial Education Strategy. Moreover, financial services sectors within EAC member states are expected to contribute substantially to regional integration starting with enabling successful implementation of the common market protocol that espouses free movement of capital across the borders.

Results of the Kenya Capital Market Investor Behavioral and Situational Analysis Study

The 2017/18 Capital Market Investor Behavioral and Situational Analysis Study used a *Knowledge*, *Attitudes* and *Practices* (KAP) framework to investigate financial habits, knowledge and attitudes towards capital markets participation. Financial habits of the target market in Kenya differed by socio-demographic profiles: youth in formal employment for example use their surplus money to buy tangible assets like cars, home electronics, clothes with designer-labels and home furnishings to make a statement; Youth in business on the other hand are biased towards get-rich-quick schemes and purchases that provide immediate gratification and frequently use expensive digital savings and credit platforms. Women coalesce in savings, credit and investment groups and have slightly higher savings rates and greater record keeping practices than men. For their income, women were found to rely more on salary and remittances for income while men relied more heavily on business. Women in micro and small enterprises tended to save in table banking groups where they had great influence on each other while women in medium enterprises were found to save and think independently. Urban dwellers used surplus money to save whereas rural dwellers preferred to invest surplus money in productive assets like livestock which offered insurance against unforeseen vulnerabilities and shocks. People with windfall money from sports, music and sports betting jackpots were found to be spontaneous in their financial decision making.

Urban dwellers and those previously exposed to investor awareness forums have more positive attitudes towards capital markets. Urban residents, highly educated people and those exposed to CMA's investor education displayed better perceptions of the capital market while youth perceive capital markets as more suitable for affluent investors. Retirees had positive attitudes and high awareness about the capital market and hold significant savings and investments through the capital market, commodity and real estate and other markets. As compared to other segments, this segment had greater potential to invest more resources in the capital markets hence require well customized messages for future engagement. Diaspora Kenyans displayed a medium level of awareness of the capital market but have low investment practices. There is a segment of Kenyans with windfall funds won from sports betting, athletics and football. Reaching out to these cohorts can convince them to invest wisely in the capital market. On the supply side, there is scope for CMA to conduct one on one bilateral visits to selected firms to demystify the listing process.

Analysis of findings of the 2017/18 Capital Market Investor Behavioral and Situational Analysis Study using a *Knowledge*, *Attitudes* and *Practices* framework established that the composite Kenya national Investor Education Measurement Index (IEMI) was 41%[1]. The index was higher among older persons, urban residents and people who have either heard about or have attended CMA investor education program. The *knowledge* index was 58% with higher scores coming from older cohorts over 35 years and urban residents but manifesting a marginal difference by gender. The *Attitudes* index was 45% and was higher among urban dwellers but did not differ by gender. Investment *practices* index was 20%and was higher among males, older age cohorts above 35 years and urban residents.

In terms of strategies and channels for educating various capital market segments, the study revealed that greater use of social media and educational mobile apps are strategies most suited to reaching youth sub-groups as done by sports betting firms and telecoms. Youth in educational institutions are effectively reached in forums that combine entertainment with

[1] The capital market Investor Education Measurement Index (IEMI) of 0.41 or 41% in 2017/18 is the Baseline Index for Knowledge, Attitudes and Practices (KAP) and will be monitored using the KAP Framework in years to come and help determine the effect of investor education and market awareness program on market participation. An index of 41% can be considered just below average which is not ideal. Whereas knowledge and attitude levels of 58% and 45% are not as bad, practices index of 20% is too low. The goal is for CMA to work towards attaining higher targets towards 100% in the long-term when ideally all adult Kenyans participate in the capital markets.

sensitization. In addition, influencers in mainstream and social media offer a useful channel to disseminate messages on money management and financial literacy to youth. Women in micro and small enterprises can be reached via table banking groups and chamas while women and men owners of medium enterprises are best reached through fund managers. Diaspora Kenyans can be reached through heads of diaspora associations and Ministry of Foreign Affairs while career sports people can be accessed via sporting federations. People with windfall funds such as sports betting jackpot winners can be reached through direct engagement or via betting firms.

Based on some of the strategies adopted from the Capital Markets Investor Education Behavioral and Situational Analysis study and the Investor Education and Public Awareness Strategy, concentration on a flagship project which was the Capital Markets University Challenge 2018 was highly impactful in terms of increasing Knowledge, Attitude and Practice as observed through the surveys disseminated to participants. In addition, focusing on the specific segments and subgroups has also been effective in communicating specific information that is not generalized.

The Authority has also actively leveraged technology through various channels such as the development of a robust online Resource Centre Portal as well as an online examinations portal that facilitated increased uptake during initiatives such as the Nationwide University Challenge and Scavenger Hunt. A more robust social media campaign leveraging on infographics and bloggers targeting the various segments has also proven impactful as witnessed by the reach inform of click, views, reads and replies as well as active discussions this strategy has elicited.

Key lessons from world best practice: Strategies for targeting various market segments

From the cases studied, national independent entities are in charge of national consumer financial education which is mostly provided as a public good[2]. The bodies in charge are National Centre for Financial Education (NCFE) for India, Australian Securities and Investment Commission (ASIC) for Australia, Financial Sector Conduct Authority (FSCA) in South Africa, Securities and Exchange Commission of Brazil (CVM) in Brazil and Financial Education Steering Committee (FESC) in Singapore. India and Singapore have dedicated entities for consumer financial education while Australia, South Africa and Brazil rely on the securities regulators. For operational purposes national consumer financial education in all the studied countries have developed a consumer financial education strategy. In South Africa and Australia, the budget

[2] A public good is defined as one whose consumption is non-rival and non-excludable. Public goods are therefore subject to market failure when provided by the private sector because when it is provided by one party, other parties can enjoy results without exclusion. Even though education is not a classic public good, it is correct to argue that private financial service providers may lack a natural incentive to invest in mass consumer financial education since they risk benefitting their rivals who never have invested anything in the first place. To overcome negative outcomes of free riding, externality and market failure, public goods are better provided by non-profit than for-profit entities.

for implementing the financial education strategy is funded from the national budget complemented by intermediaries in the financial services sector who are legally bound to do so. Additional financial support is sought from development partners. This is the model recommended for Kenya.

The case studies also provided ideas for design of the national financial education strategy in terms of content development, governance and delivery channels. Some key areas identified include: adopting a differentiated and segmented approach for different target groups including youth in school and out of school; women in groups or various levels of business, Kenyans in diaspora, institutional investors among others. This should be borne in mind during design of content, using multiple languages including vernacular languages, embracing automation and technology, engaging as many stakeholders in governance as possible and undertaking comprehensive monitoring and evaluation to assess impact and inform formulation of subsequent national financial education strategies. These stakeholders need to represent both the government and private sector, financial services sector players (in banking, microfinance and SACCO, insurance, pension and capital markets industries) and actors outside the financial services sector. Content for national consumer financial education should be developed on topics such as income, expenses and budgeting; saving; credit and debt management; insurance; investment; retirement and pensions; financial planning; government schemes, fraud protection and grievance redressal. This financial literacy material should be available in digital format.

Implications and recommendations

Key recommendations draw from international best practice and a review of Kenyan and regional experience are as follows:

i. Key constraints limiting greater impact of consumer financial and investor education relate to lack of coordination and clarity of roles among regulators and financial institutions; use of complex language and "one-size-fits-all" Investor Education strategies.
ii. A partnership approach to design and implementation of National Consumer Financial Education creates more ownership among different actors.
iii. In the capital markets, high awareness among consumers results in high participation rates in use of and trade in financial instruments.
iv. There is need for consumer-oriented investor education strategies differentiated by segments with priority going to high potential segments such as women and youth operating small and medium enterprises, diaspora Kenyans or retirees.
v. Low hanging opportunities lie in targeting potential issuers such as FinTechs.

vi. Since different target segments have varied information requirements, prioritizing target groups ensures that scarce resources are used in a manner that will attain the highest impact in terms of national financial literacy.
vii. Automation helps to achieve greater outreach to the mass target audiences at a low cost. The online portal interface for National Consumer Financial Education should provide tabs for financial education information with linkage to partners, programs, addressing complaints or grievances and downloadable resources easily available to the public. Leveraging on technology through multiple channels facilitates easy access to financial literacy content at lower cost and promotes real-time awareness creation among certain target groups.
viii. Continuous measurement of indices that show evolutions of national consumer financial education is critical using a behavioral tracker.

CMAs Contribution to the Kenya National Consumer Financial Education Strategy

In line with the Capital Market Master plan 2014-2023, the Capital Markets Authority is well positioned to play a catalytic role in the development of the Kenya national consumer financial education policy and strategy. Specific duties shall include to:

1. Engage with the East African Community (EAC) Financial Education Strategy Working Group to facilitate rapid attainment of two strategic objectives of the EAC Financial Education Strategy (2018 – 2021) in Kenya. These objectives relate to: (1) Establishing stakeholder engagement and partnerships, and (2) Development and integration of financial education into the school curriculum.
2. Link the EAC strategy with the Kenya National Consumer Financial Education Strategy towards financial sector development and regionalization as envisioned by the East African Common Market Protocol (CMP). The EAC Financial Education Strategy (2018 – 2021) provides strategies for offering financial consumer education to various market segments.
3. Table the White Paper to Joint Financial Sector Regulators Forum to come up with a more synchronized approach across the financial sector which can be taken up by the National Treasury. Other regulators will get to share their experiences and pain points in the savings mobilization process to serve as learning points across the financial services sector. Such a coordinated approach may result in an Act being put in place in favor of compulsory savings among Kenyans.
4. Lobby the National Treasury and Planning to champion the setting up of a national consumer financial education taskforce and reach out to other regulators and stakeholders to sensitize them on the importance of a nationally coordinated approach to consumer financial education.

5. Take part in the national task force as constituted by the National Treasury and Planning and in formulation of the Kenya National Consumer Financial Education Strategy through a consultative process to ensure sustainability and buy-in from different stakeholders.
6. Champion identification of priority target groups for provision of financial education. Specific to the capital market, these groups consist of market segments with high investment potential as established by the capital market investor behavior and situational analysis opportunities 2017/2018 study. Th groups to be prioritized include students, youth in business, women owners of small and medium enterprises, diaspora Kenyans and retirees. Specific strategies on how to reach out to them are outlined in the capital market investor behavior and situational analysis opportunities 2017/2018 report.
7. Take lead in the design of the monitoring and evaluation logical framework. Most critical here will be to support identification of Key Performance Indicators (objectively verifiable indicators) which are paramount for effective monitoring and evaluation of impact of the national consumer financial education.
8. Guiding the development of the national consumer financial education curriculum using content from various industries and stakeholders. This duty can also entail mapping stakeholders to determine who or which entity will be assigned specific responsibilities during implementation.
9. Seek adoption of the principles and elements critical to the design of the Kenya national consumer financial education strategy as contained in the White Paper.
10. Periodically develop an internal capital market investor education strategy cascaded from the Kenya national consumer financial education strategy with training calendar for investor engagement forums.
11. Champion digital strategy including building a national consumer financial education online platform and community. Potential investor's engagement platforms for knowledge assessment and educational materials can be adapted by learning from India, Australia and South Africa.
12. Work with the Nairobi Securities Exchange (NSE) to support the Ibuka Program for incubation and acceleration of aspiring firms with growth prospects to increase listings mainly at the Growth Enterprise Market Segment (GEMS).
13. Engage in conversations on policy incentives with the National Treasury to promote increased listings and trading activity at the GEMS.

Organization of the White Paper

The White Paper is structured into various subsections:

i. The background and rationale for the formulation of this White Paper.

ii. Current market situation in Kenya with respect to investor education in the capital markets.
iii. The 2017/2018 study: An assessment of the capital market investor behavior and situational analysis opportunities.
iv. International best practice on National Consumer Financial Education.
v. Constraints facing consumer and investor education in Kenya.
vi. Implications of the lessons from Capital Markets Investor Behavioral Analysis Study and International Best Practice to the Kenya National Consumer Financial Education.
vii. Recommendations for the Kenya National Financial Education Strategy: Key elements for Kenya National Consumer Financial Education and CMAs Contribution to the Kenya National Consumer Financial Education Strategy.

It is believed that, ideas in this White Paper will provide a practical reference for tools and ideas for input into the Kenya national consumer financial education policy and strategy. Hopefully the strategies developed will remove barriers that prevent consumers from adequately participating in the capital markets and financial services sector towards improved financial health outcomes around money.

1.0 INTRODUCTION

1.1 Background

Capital markets provide important avenues for financial deepening being the link between the financial sector and non-financial productive sectors of the economy. This means that a country whose capital markets are well performing may accelerate attainment of its macroeconomic growth faster than its otherwise equivalent counterparts.

Despite institutional and policy reforms to enable Kenya's capital market to mobilize long-term resources, the country remains an emerging economy whose ratio of domestic savings to national output (GDP) is low. Domestic savings to national output (GDP) are estimated at 6.1% (Kenya National Bureau of Statistics, KNBS, 2018) below Ivory Coast at 20.3% (2017), Mauritius at 9.7% (2019), South Africa at 14.7% (2019), 15.5% in Brazil (2019), 47.7% in Singapore (2018) and 30.5% in India (2019). Moreover, only about a fifth of Kenyans participate in the uptake of equities and debt instruments at the securities exchange. The investable market capitalization as a proportion of the Gross National Product (GNP) is also low for Kenya (23.6% in 2018) compared to 20.3% in Ivory Coast, 55.2% in Mauritius, 260% in South Africa, 46.6% in Brazil, 188.7% in Singapore and 76.4% in India for the same period. This implies Kenya has to develop inventive strategies to deepen and entrench savings and investment behavior to enable the country in order to anchor growth more on capital markets as is happening with other developing countries cited above.

The performance of the capital markets has been erratic with both high and low growth periods over the past five years as demonstrated by the most recent data from the latest annual Economic Survey by the Kenya National Bureau of Statistics in 2019 (see Annex Table 1)[3]. The market capitalization stood at Ksh 2.316 trillion in 2014 against 2.102 trillion in 2018 which is a decline. This pattern is also reflected in value of shares traded which stood at Ksh 216 billion and Ksh 176 billion (for years 2014 and 2018 respectively). On the other hand, the value of total bond turnover increased marginally from Ksh 506 billion to Ksh 558 billion in 2018. The number of capital market licensees increased from 115 in 2014 to 143 in 2018 with the number of investment banks, Fund Managers (FMs) and Collective Investment Schemes (CICs) registering growth to 16, 27 and 24 respectively. Between 2014 and 2018, the number of investment advisors fell from 17 to 14 while the number of stock brokers remained unchanged at 10 in 2018.

[3] Kenya National Bureau of Statistics, KNBS (2019). Economic Survey

On the supply side, the number of listings has been below the targeted expectation[4]. The growth in number of listed companies and long-term financial instruments like government, infrastructure and corporate bonds is too low to attain the 10% GDP growth targets espoused by the national blueprint for industrialization (Vision 2030). This trend presents an opportunity to engage potential issuers as a financial deepening effort to diversify and broaden product offering in form of different financial assets with varying gains, risks and maturity.

The solution lies in educating the public because consumer financial education has been seen to influence the level of savings and investments by individuals and groups. Currently, education of investors and issuers in the capital market is conducted by different actors in an uncoordinated way. Capital Markets Authority (CMA), the regulator, conducts Investor Education and Public Awareness programs targeting multiple segments of the market. Separately, private sector actors have their own initiatives targeting the same audience segments and this calls for synergy among to avoid duplication of effort and confusing the audience.

Overall, consumer education initiatives within the capital markets are constrained by limited linkages among actors, use of complicated rather than simple language during design of content[5], minimal utilization of technology, no segmentation of target audience, low resource mobilization and budget allocation. The situation is no different within other industries of the financial services sector. On a national scale, the result has been low impact on attaining the required levels of knowledge, attitudes and practices.

Whereas this White Paper is neither the policy nor the strategy for national consumer financial education, it serves two critical purposes: Firstly, it provides the basis for informing investor education policy and strategies for the capital markets in Kenya. Secondly, it sets out a reference point to inform the Capital Markets Authority in contribution of ideas towards formulation of the Kenya National Consumer Financial Education (KNCFE) policy and strategy for the wider financial services sector.

1.2 The Rationale for Consumer Financial Education – The Theory of Change

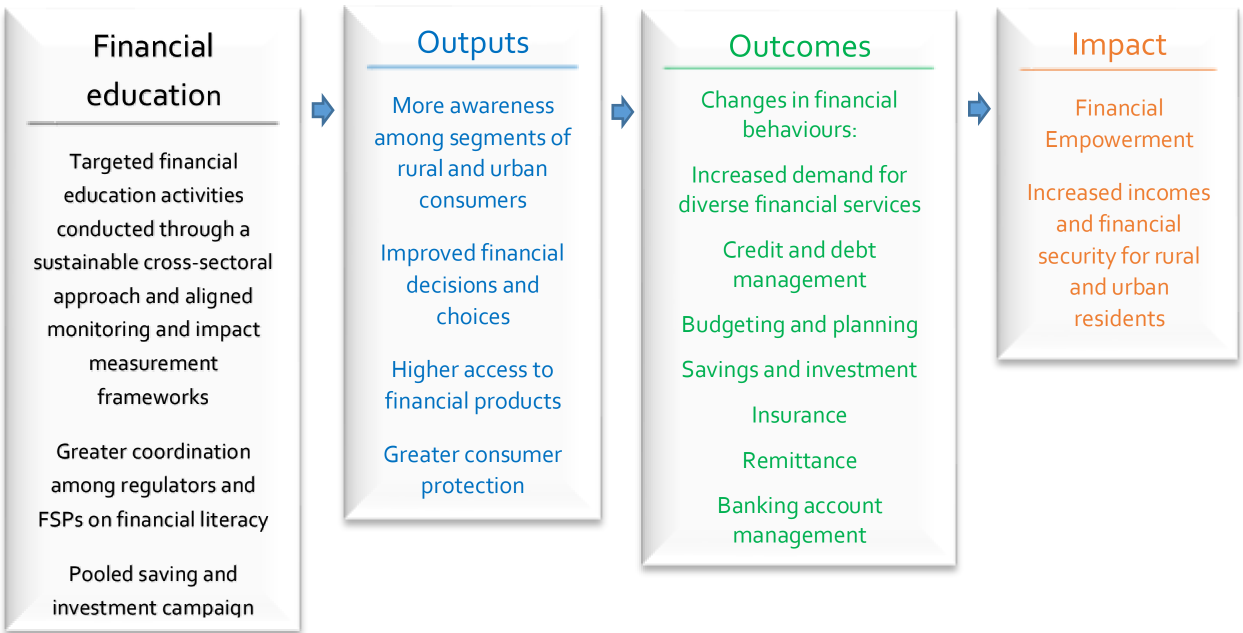
Consumer financial education means provision of knowledge of financial products, financial concepts and numeracy skills necessary for effective financial decision-making or positive financial behavior. Randomized control trial experiments evidence indicates that financial education can have high impact on financial empowerment of the people, when targeted on

[4] As of the time of the capital market investor behavior and situational analysis opportunities 2017/2018 study, only four firms had listed within four years at the Growth Enterprise Market Segment (GEMS).

[5] For example in India, the Reserve Bank of India has simplified and customized messages in booklets targeting farmers, small entrepreneurs, school children, self-help groups, trainers and senior citizens. The choice of wording is selected in such a way that readers can easily understand and relate their life experiences with examples provided.

specific financial behaviors as shown in the following Theory of Change (ToC) framework (adapted from Tim Kaiser, 2017).[6]

Theory of Change - Attaining Empowerment (Financial Health) through Consumer Financial Education



The theory of change assumes that a) there exists suitable financial products, b) enabling regulation including adequate Know Your Customer (KYC) requirements that do not exclude target segments, and c) a sustainable funding strategy for the financial education activities. This theory of change depicts that targeted financial education activities for specific market segments will yield greater results in terms of outreach and impact which calls for effective monitoring and impact measurement frameworks.

On a positive note, such a framework based on Knowledge, Attitudes and Practices (KAP) is in place in the Kenyan capital markets and enables the regulator to monitor how changes in financial awareness/literacy and perceptions relate to changes in participation by various market segments in the capital markets. The theory of change anticipates that there is greater coordination among regulators and financial services providers as was recommended by the Capital Market Investor Behavior and Situational Analysis Opportunities Study (2017/2018). This yields more awareness among segments of rural and urban consumers; greater consumer protection; improved financial decisions and choices leading to higher consumer access to a variety of financial products as the immediate outputs. Financial literacy improves people's ability to plan for retirement, build savings, accumulate wealth and participate more in the market (van Rooij, et al. 2011; Lusardi, Mitchell and Curto, 2009).

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[6] https://elibrary.worldbank.org/doi/pdf/10.1093/wber/lhx018

Based on the theory of change, positive outcomes are observed in terms of changes in people's financial behavior around demand for diverse financial services, credit and debt management, budgeting and planning, savings and investment, insurance, remittance and banking account practices. The long-term impact will be financial empowerment depicted by increased incomes and financial health and security for rural and urban residents. Evidence from literature shows that consumer financial education affects financial behaviors and outcomes of target groups on how to handle money, pay bills on time, track expenses, budget, repay debts, save from each income, maintain an emergency fund or diversify investments (Hilgert et al. 2003; Nderitu, Njeru and Waiganjo, 2017). To illustrate the power of financial education, India applied a similar model as in the above theory of change through a segmented financial-behavior-oriented strategy to financial education and recorded a 24% increase in accounts opened in 2018 alone.

A proper understanding of basic financial concepts, investment options and practices enables people to be well equipped when making decisions related to financial management (Klapper, Lusardi and Oudheusden, 2015). At the same time financial literacy helps people avoid financial exploitation, plan their own finances and make wiser borrowing (Patel, 2005 and Subbarao, 2013). Findings from global jurisdictions have demonstrated a clear rationale for investor education prompting the International Organization of Securities Commissions (IOSCO) to advocate for investor education as a key strategy for enhancing investor protection, promoting investor confidence and fostering investor engagement in financial planning and decision-making.

In the capital markets, investor education is an integral part of financial education that concentrates on the population who save, borrow, invest or have the financial capacity to participate in financial markets, typically including both existing and potential investors to enable them to participate safely in financial markets. As such, investor education policies and initiatives are also a complement to investor protection, financial market regulation, and financial inclusion with a view to supporting healthy and transparent financial markets development and long-term financial wellbeing. The outcome of savings and investment at the individual level relates to societal welfare because from a broader perspective, a high saving economy accumulates assets faster, and thus grows faster, than a low saving economy (Lipsey and Chrystal, 1995). Thus, it can be concluded that, deficiency in financial literacy is one of the causes of inertia and suboptimal financial decision-making and it can be addressed via consumer financial education and public awareness creation. Nonetheless, it must be acknowledged that education is a necessary but not a sufficient condition for improved financial health as there are other factors that can influence consumer financial behavior.

1.3 Working Definitions

a. White Paper

Refers to an authoritative report that helps readers understand or make decisions on a complex issue by presenting it concisely, showing the issuing body's philosophy on the matter and arguing for a specific solution or recommendation to resolve the issue.

b. Informed Investor

An informed investor is one capable of developing an investment plan based on an adequate understanding of market products including potential risks and returns. This includes those who have already invested, have looked at investments or are potential investors.

c. Investor Education

Investor education (IE) is a term used in this paper specifically within the capital markets to refer to a plan to illuminate current and potential investors to enable them to make appropriate purchase decisions on various equity, debt and derivative financial instruments at the securities exchange. The CMA in Kenya, for example, aims to make the most of the limited resources at its disposal in executing the investor education strategy to increase public participation in the capital markets.

d. Consumer Financial Education

In this White Paper, consumer financial education is used to refer to education initiatives that inform consumers on many aspects of financial literacy from income generation to budgeting, savings, investment, insurance, managing debts et cetera. This definition goes beyond educating consumers on participating in the capital markets.

e. Investor and Consumer Protection

These are initiatives and prudential guidelines by regulators and intermediaries in the financial services sector geared to provision of information, guidance or safeguarding the interest of consumers against exploitation by unethical behavior mainly by supply-side actors.

f. Key Performance Indicators (KPI)

These are verifiable quantitative or qualitative measures or variables which can be used to monitor implementation of the national consumer financial education and the impact on financial health of Kenyans.

g. Financial health

Financial health can be understood as financial consumer activity and their behavioral outcomes beyond mere financial access. Financial health includes high quality usage of financial tools available in the market in order to enhance people's savings, insure them against shocks, promote investment appetite and how economic agents manage their money.

h. Uptake and Usage

The concept of uptake and usage of financial services is highlighted to buttress the need for regulators and financial service providers to ensure they break the inertia among consumers who stagnate at accessing financial services (uptake). The goal of financial service providers should be to go beyond promoting consumer access to encouraging continuous financial service utilization (active usage) in order to improve financial health of consumers. In the capital markets, it is important to nudge investors to engage in active secondary trading after acquiring CDSC accounts at the Initial Public Offering (IPO) stage.

2.0 CONSUMER FINANCIAL EDUCATION IN KENYA

2.1 Overview

National consumer financial education comprises of programs targeting to sensitize the people about financial matters for multiple reasons besides investment. Other reasons warranting financial education are to enlighten people about income generation, savings, payments, finance, credit, insurance and more. This section presents investor education strategy and activities of the Capital Markets Authority in Kenya, but also financial education activities employed by other players in the broader financial service sector of the Republic of Kenya. The section concludes with an assessment of the capital markets investor education and limiting success of consumer financial education in different industries (sub-sectors) of financial services.

2.2 Investor Education in the Kenyan Capital Markets

Investor education in the Kenyan capital markets broadly is provided by the regulator, intermediaries and issuers. Capital Markets Authority (CMA) is the statutory agency charged with the prime responsibility of regulating the development of orderly, fair and efficient capital markets in Kenya. It licenses and supervises market intermediaries, conducts on-site and off-site market surveillance, enforces compliance, promotes market integrity and investor confidence.

2.2.1 CMA Investor Education and Public Awareness Program

Capital Markets Authority (CMA)'s Investor Awareness strategy has over time evolved iteratively from targeting diversified pool of constituents at high level to a more granular approach that is structured around core segments that are targeted separately and sequentially rather than simultaneously to maximize impact. Since 2014, the Authority has been implementing several outreach programs as follows: County outreach initiatives; Structured investment group forums; Targeted outreach to specific stakeholders; Youth outreach programs through universities; National campaigns (Social media, leveraging technology, national mass media as well as infusion of capital markets in school curricula); Outsourcing face-to-face education forums; Engaging potential issuers to list at the securities exchange; Engaging intermediaries and distribution of promotional Information, Education and Communication (IEC) materials.

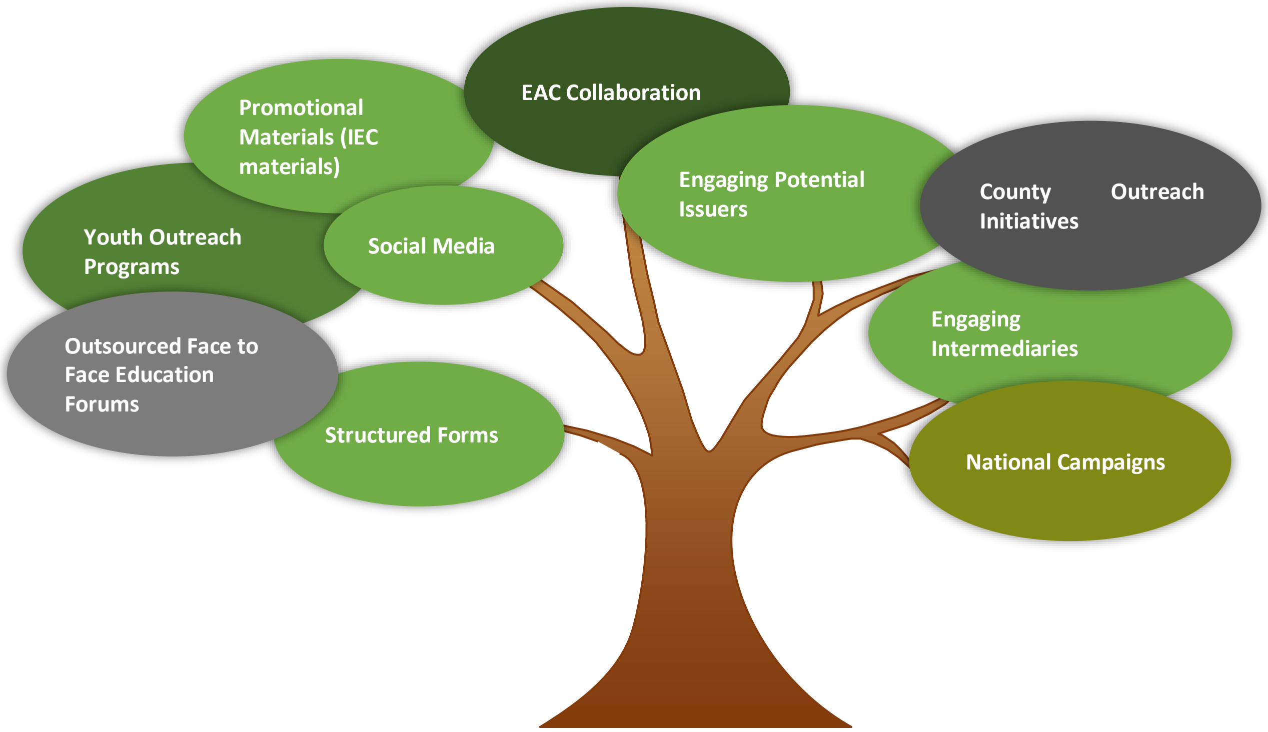

Figure 1: Granular Approach of CMA's Investor Educations and Public Awareness

a. CMA Investor Education Strategy for 2014-2018

Over the years, the segment of youth in universities has been targeted by a University Challenge (2014), a Nairobi County University Challenge (2015) and the National Capital Markets University Challenge (2018 – 2019). Other edutainment initiatives were run on the Authority's website such as a crossword puzzle and scavenger hunt on the resource center portal. There was also a capital markets national mobile phone trivia competition and social media outreach through Facebook, LinkedIn and Twitter reaching the youth through posts, videos and capital markets topical boosts in 2017. For youth in lower levels of learning, the Authority partnered with other financial sector regulators in engaging the Kenya Institute of Curriculum Development (KICD) to infuse financial markets information in school curriculum[7].

Structured groups were targeted including Chamas, League of Young Professionals (LYP), Kenya Association of Investment Groups (KAIG), Institute of Certified Public Secretaries of Kenya (ICPSK), Kenya National Chamber of Commerce and Industry (KNCCI), Council of Governors (COG), capital markets intermediaries, learning institutions, Certified Financial Analyst East Africa Chapter (CFA - East Africa), Association of Chartered Certified Accountants

[7] Previously, there has been conversations among capital market industry actors on the need to set up a local training institution to educate primarily on capital market matters.

(ACCA) and the Ministry of Foreign Affairs and International Trade. These were reached though exhibitions and print campaigns in major newspapers.

For potential issuers, the Authority organized structured forums in 2014/15 partnering with institutions like the Nairobi Securities Exchange (NSE), Association of Chartered Certified Accountants (ACCA), Kenya National Chamber of Commerce and Industry (KNCCI), Association of Family Businesses in Kenya (AFBE Kenya). A new approach dubbed the Business Incubator and Accelerator on the Listings Experience was adopted from 2017 for companies to participate in one-on-one engagement with relevant intermediaries on the listing process. Despite these efforts, only 6 listings have been made since 2014.

In line with devolution, the Authority has over the past 5 years conducted outreach to 41 counties using face-to-face forums, roadshows and open days and vernacular radio initiatives to reach the business and professional communities, women and youth, Community Based Organization (CBO) and the general public. From 2016, outsourced professionals were engaged as resource persons to conduct investor education on behalf of the CMA, targeting different groups as an outsourcing strategy.

With effect from 2016, with guidance from the Board, there was more emphasis to leverage on social media technology mainly Facebook and Twitter to encourage dialogue particularly targeting the youth. This period witnessed the development of the online Resource Centre Portal with a view to making available more information that the public can access. In addition, the scavenger hunt competition to retrieve specific information from the portal attracted a total of 2,316 participants, while the national mobile trivia competition attracted 7,522 registrants. Further, a capital markets crossword puzzle and financial calculator were introduced in 2017 to draw further traffic to the Authority's website.

Other strategies included national campaigns namely: annual capital markets open days and a capital markets week as part of the World Investor Week (WIW) in 2017; outreach to intermediaries through Continuous Professional Development (CPD) program for capital markets practitioners in collaboration with Chartered Institute for Securities and Investments (CISI) and the Institute for Certified Investment and Financial Analysts (ICIFA).

b. CMA Investor Awareness Strategy 2018-2023

The current CMA Investor Awareness Strategy 2018-2023 takes into consideration a prioritized approach based on policy statements in development blueprints such as the United Nations' Sustainable Development Goals (SDGs); Kenya national development Big 4 agenda (prioritizing universal healthcare, food security, affordable housing and industrialization) and the Vision 2030 Third Medium Term Plan (MTP III); the 10-year Capital Markets Master Plan (CMMP) and the

Authority's Strategic Plan 2018-2023. Moreover, in response to fundamental obligations of performance contracting 2018/19, the Capital Markets Investor Behavioural and Situational Analysis Study (2017) as well as the Strategic Plan for 2018-2023, the Authority adjusted the Investor Awareness Strategy as follows.

Priorities of CMA Investor Awareness Strategy 2018-2023

Under Investor Awareness Strategy 2018-2023, a segmented approach is being used to reach target groups clustered by gender, age and residence among other attributes. CMA identified the need for more streamlined target groups given the wide structural and geographical scope of outreach by CMA's investor education and public awareness program to make best use of scarce human and financial resources. In this regard, during the 2018/2019 financial year, the Authority's focus has been applying half of its resources towards potential issuer initiatives to getting more companies listing and issuing capital markets products.

The Authority is also placing emphasis on relaunching some existing capital market products; Strategic partnerships with members of professional associations to reach potential issuers; More targeted and specific approach towards youth leveraging technology and social media, mobile phones, as well as the resource center portal; Planning for Kenyans with windfall funds such as athletes, export commodities producers, online gamblers and Clustering counties for county-outreach programs. This involves prioritizing urban to rural counties.

Other priorities for the CMA Investor Awareness Strategy 2018-2023 to increase impact are: Use of influencers and opinion makers as ambassadors; Collaboration with intermediaries to drive investor education; Use of train the trainer model; A more revamped outsourcing strategy allowing resource persons to be accompanied by broker; Focus on driving investment through Collective Investment Schemes (CISs); Investor protection and Continuous Professional Development (CPD) program in collaboration with the Chartered Institute for Securities and Investments (CISI) and the Institute for Certified Investments and Financial Analysts (ICIFA).

One of the most remarkable innovations in the current strategic planning (2018-2023) is the push for inclusion towards the Kenya National Strategy on Consumer Financial Education involving many stakeholders being financial services regulators, providers of payments systems, banking, finance, savings, credit and insurance.

2.2.2 Capital Market Investor Education by other Financial Services Sector Players

Besides investor education initiatives by the regulator, there are complementary initiatives by the intermediaries in the capital markets as described below.

Capital market investor education by securities exchange platform providers: Nairobi Securities Exchange (NSE) has a web portal on public education. The public education section of the NSE targets to train the public about the exchange platform, shares, bonds, derivatives, Real Estate Investment Trusts (REITs) and Exchange Traded Funds (ETFs). The portal also links visitors to trading participants and nominated advisors, listed companies, product lines besides other information. The NSE also has a 100% web-based edutainment challenge whose goal is to impart knowledge and create a culture of saving and investing in securities among the youth. This challenge targets young investors who comprise youth in tertiary learning institutions such as universities and colleges but also youth outside out of school. Participants undertake virtual trading given a start-up capital of Ksh 3 million and winners get cash rewards, internships and mentorship. On the other hand the portal for Central Depository and Settlements Corporation (CDSC) has contact information for registrars, Central Depository Agent (CDA) list, listed companies and a glossary of terms.

Private sector entities who are intermediaries in the capital markets are conducting only limited education on current and potential investors and issuers. Such intermediaries include investment banks, fund managers, stockbrokers, investment advisers, authorized securities dealers and depositories as well as credit rating agencies. Credit rating agencies, for example, play an important role of evaluating the relative creditworthiness of issuers of securities and assigns ratings to such securities enhancing investor protection whilst enabling issuers access capital from diversified sources. There is however limited demand for the provisions of credit ratings for issuers by domestic institutional investors. Noting recent adverse trends from corporate debt issuers, there is an expectation this demand should increase to allow for more credible differential capital costs for entities of different credit quality. This differentiation is a critical prerequisite for broader access to the market by issuers and sustainable valuations of publicly traded securities.

Industry bodies have an important role which they are either playing or they should play in investor education and public awareness on the capital markets. The Kenya Association of Stockbrokers and Investment Banks (KASIB) conducts their own outreach to enable the public understand industry language and specific services available. Content about this initiative is available on their investor handbook. The Institute of Certified Investments and Financial Analysis (ICIFA) ensures attainment of high standards of professionalism amongst its members for the welfare of the public through Continuous Professional Development (CPD) programs. ICIFA is an affiliate of Association of Certified International Investment Analyst (ACIIA), African Securities Exchange Association (ASEA) and the Association of Professional Societies in East Africa (APSEA). Established in 1961, APSEA has a wide outreach of professionals drawn from diverse fields: Accounting, Agriculture, Arbitration, Architecture, Bankers, Chemists, Clerks of works, Dentistry, Engineering, Food science and technology, Financial Analysts, Geology, Insurance, Law, Managers, Medicine, Meteorologists, Pharmacy, Physiotherapy, Planning, Procurement and Supplies, Quantity Surveyors, Radiology, Radiography, Corporate Secretaries, Surveyors and Veterinary science. APSEA then provides a rich platform for market awareness that can target up to twenty-eight corporate members and over 100,000 individual members.

Other entities and institutes offering professional development or certification in finance areas include the Chartered Institute for Securities and Investment (CISI), Association of Chartered Certified Accountants (ACCA) and the Kenya Accountants and Secretaries National Examinations Board (KASNEB). The ACI Financial Markets Association (ACI) is a leading global trade association representing the interests of the professional financial market ecosystem. ACI has a footprint across the money market, fixed income and foreign exchange dealers within the Kenyan banking sector. ACI promotes highest global standards of professionalism, competence and ethics in activities and products in financial markets through ongoing educational programs and examination. Memorandum of Understanding between regulators in financial services sector and such entities is necessary to enable regulators to exert influence towards requisite development of curriculum and certification of finance professionals in Kenya.

The Kenya Institute of Curriculum Development (KICD) already conducts basic education on financial services sector using radio and, therefore, emerges as an integral partner in mass education on Kenya's capital market as envisaged in the Capital Market Master Plan. KICD is the national curriculum development center mandated via the KICD Act No. 4 of 2013 of the laws of Kenya. The institute develops research-based curriculum and offers curriculum support materials for basic and tertiary education and training except for university level of learning.

The Real Estate Investment Trust (REIT) Association of Kenya (RAK) has a role to play educating the public on collective investment schemes. This can enable the public understand opportunities and risks associated with REITs in Kenya and enhance its development. East Africa Venture Capital Association (EAVCA) is represents the interests of private equity and venture capital funds in East Africa. EAVCA engages in training and advocacy to enhance local knowledge on private capital as an alternative investment and pool of capital to support local enterprise.

The Kenya Association of Manufacturers (KAM), Kenya National Chamber of Commerce and Industry (KNCCI) and Kenya Private Sector Alliance (KEPSA) are member associations comprising small, medium and large enterprises. The three associations provide a rich platform through which to target current and potential issuers in the capital market for education. As mentioned in the Capital Markets Investor Education Behavioral and Situational Analysis study, a working arrangement is needed between them and the CMA to enhance capital market awareness and participation among members.

Besides having a strong membership of over 40 financial service providers some of whom facilitate the public to make investments even within the capital markets, the Kenya Bankers Association (KBA) conducts sensitization to the general public on matters pertaining commercial banking sector as explained in section 2.3 below.

2.3 Consumer Education in other Kenyan Financial Services Sub-Sectors

Other sub-sectors such as banking, insurance, savings and credit have varied approaches to financial literacy of existing and potential clients.

a. Commercial Banking Sub-Sector

Actors in the commercial banking sector are bound by regulations of the Central Bank of Kenya (CBK) and required to sensitize customers. For example, the Kenya Banking Sector Charter notes that "as financial services and products become sophisticated and widespread throughout the country, financial literacy will need to be addressed in order to ensure proper use of the available financial services and products offered by institutions"[8]. The charter argues that increased access to financial services and rapid growth of the financial services sector will expose consumers to risks information disclosure issues among consumers with low level of financial literacy. The charter then requires these institutions to:

a) Provide technical assistance to Micro, Small and Medium Enterprises (MSMEs) to enhance their capacity development in terms of business and financial skills which will enable them secure financing.
b) Develop financial literacy initiatives that are distinct from the common product advertising and marketing, and that are more targeted, strengthened and coordinated to have greater impact in terms of effectiveness and efficiency.

Financial institutions, more so those offering credit facilities, are also guided by developments in financial consumer protection from the National Treasury, the Central Bank and industry associations. These developments include:

- Formulation of Financial Markets Conduct Bill (2018) by the National Treasury to promote a fair, non-discriminatory marketplace for access to credit, to provide for the

[8] https://www.centralbank.go.ke/wp-content/uploads/2018/08/Proposed-Kenya-Banking-Sector-Charter-2018.pdf

establishment of uniform practices and standards in relation to the conduct of providers of financial products and financial service.

- Part II of the Financial Markets Conduct Bill (2018) is the proposed Financial Markets Conduct Authority (FMCA) one of whose mandates will be ensuring consumer protection though education by actors in the sector.
- Setting up of the Consumer Federation of Kenya (COFEK) which is a watchdog empowered by the Constitution, Consumer Protection Act (2012) and the Competition Act (2010).
- The Central Bank of Kenya (CBK) set up prudential guidelines whose Part IX on Consumer Protection emphasizes on disclosure, public awareness and sensitization.
- Kenya Bankers Association (KBA) has a consumer guide to banking in Kenya for consumer literacy and Total Cost of Credit (TCC) pricing mechanism, which enables consumers to compare different bank loan costs based on standardized parameters and a common computation model.
- Other than that, financial consumer protection is done by departments or units within financial institutions and regulators to take care of consumer welfare.
- A rather innovative banking service solution called "Pesa-link" is available to major commercial banks and was a stakeholder-led initiative. The Kenya Bankers Association, through this innovation has enabled interoperability of banks and mobile money providers to effect account to account transfers in real time.
- Equity Bank and KCB Bank savings accounts have financial 'goal-setting' features. Their app-based services send reminders to customers to encourage them to contribute to their goals. Commercial Bank of Africa (CBA) Loop Account provides an app with features where users can categorize their expenses into buckets such as entertainment, transport etc. Providing customers with analysis of how they spend their money helps in making better financial decisions.

b. Insurance Sub-Sector

Kenya has a low uptake of insurance. The 2018 annual statistics by the Insurance Regulatory Authority (IRA) indicated that Kenya had an insurance penetration ratio of 2.43% at current prices. This low uptake has been attributed to low information by the market which the Association of Kenya Insurers (AKI) says is due to lack of access to insurance information "and when accessed, the language is difficult for the common man to understand". In response, AKI has developed an insurance information portal for consumer education that explains how insurance works. Moreover, AKI have well developed Insurance Guidebook that talks about why people should insure themselves at different stages of their lives whether they are young single, married, married with children, business owner, employed or retired.

The Insurance Regulatory Authority (IRA) is a government agency established under the Insurance Act, CAP. 487 laws of Kenya, to regulate, supervise and promote development of the insurance industry in Kenya. As the regulator of insurance industry, Insurance Regulatory Authority (IRA) conducts consumer education and investor education in two ways. The first channel is a web portal with investor education presentation and infomercials.

The IRA also conducts consumer education through Executive Certificate of Proficiency (ECOP) in insurance, insurance clinics, insurance champions, Agricultural Society of Kenya (ASK) shows, road shows, open days, articles in newspapers and dissemination of information, education and communication (IEC) materials. AKI has also automated key processes for both internal and external customers for increased ease of doing business. Other strategies include promoting use of simple language in drafting policy contracts and increased information disclosure through publication of claims' information and statistics.

c. Retirement Benefits Sub-Sector

Closely related to the insurance industry, one of the most important sub-sectors in promoting savings and investment practice is the pension or retirement benefits industry which is anchored under the Retirement Benefits Act No. 3 of 1997. The industry is structured into four schemes: National Social Security Fund (NSSF) which dominates, the civil service pension scheme, private occupational schemes and individual retirement benefits schemes.

Kenya's retirement benefits industry is regulated by the Retirement Benefits Authority (RBA) whose mission is "To proactively promote savings for retirement in Kenya through safeguarding, supervising and facilitating the development of the retirement benefits sector." In 2009, the corporate communications department noted that the pension awareness by the public was low in Kenya. The country suffered general lack of financial awareness which impacts negatively on the saving culture. To many Kenyans, the concept of retirement does not involve formal pension schemes but savings in tangible assets such as a house, land or livestock. People also feel like "retirement is too far away so why worry about it now?"

In a bid to transform these attitudes, RBA has been undertaking public education campaigns whose objectives are to: Educate Kenyan workers on the need and benefits of saving for retirement and channels available for saving; Illustrate to employers the benefits of starting retirement benefits schemes for their staff; Educate existing members of retirement benefits schemes on their rights; Educate the Kenyan public on the Role of RBA , positioning it as an honest, caring, and approachable partner; Educate trustees on their role and responsibilities and Educate Kenyan public on how to plan for retirement.

The target segments are Informal sector workers, youth, employers, scheme members and the general public. Key messages focus on convincing the audience to start saving early to guarantee them a comfortable retirement and that they don't need to have a lot of money to save for retirement. RBA's Multi-faceted education campaign uses different interventions from Multi-media campaigns on TV, Print, Lifestyle Magazines and FM Radio Stations. The authority also conducts trustee seminars, Corporate Social Investment (Outreach), RBA annual Open Day, roadshows and exhibitions. The public education portal is under development but the RBA has a repository of retrievable information available for the public at two tabs: downloads and reports.

d. Savings and Credit Cooperative Societies (SACCO) Sub-Sector

The regulator in savings and credit societies is the Sacco Societies Regulatory Authority (SASRA) while the Kenya Union of Savings and Credit Co-operatives (KUSCCO) is the umbrella body for Savings and Credit Cooperative Societies (SACCOs) offering mainly advocacy and representation.

SASRA licenses deposit-taking Saccos (with front office operations) under the Sacco Societies Act, 2008, while Commissioner of Co-operative Development, under the Co-operative Societies Act, registers co-operative societies under the national government Ministry of Industry Trade and Cooperatives to mobilize savings from their members. According to SASRA, the country has just under 200 SACCOs which operate FOSA services out of over 5,000 co-operative societies and these licensed deposit-taking SACCOs own 80 per cent market share. Notably none of the two entities have open-access investor education resources for members and the general public.

3.0 INSIGHTS FROM THE KENYA CAPITAL MARKET STUDY

3.1 Background

In 2017/18, the CMA carried out a capital markets investor behavioral and situational analysis. The study was based on *the Knowledge, Attitudes and Practices (KAP)* framework and divulged major insights into the Kenyan capital market. This study made reference to CMA Investor Education Action Plans (2013, 2015, 2016 & 2017), Capital Markets Master Plan CMMP (2014-2023) and CMA Strategic Plan 2012-2017 and CMA Investor Education Outsourcing Strategy (2015). Further, it followed a number of previous surveys conducted by the CMA namely an Investor Education Impact Assessment (2011), Investor Profile Study 2014 and CMA Customer Satisfaction Survey (2016). The study drew a sample of 1,082 respondents from thirteen Kenyan counties, Kenyans in the diaspora and foreigners from other East African countries, Australia, the United States and the United Kingdom to provide primary data. Also included in the survey sample were members of the CMA Board and management team, Capital Market Master Plan Working Group 1, regulators in the financial sector, intermediaries and other CMA Licensees as well as Nairobi Securities Exchange (NSE) and the Central Depository and Settlement Corporation (CDSC).

Quantitative research methods were used in urban and peri-urban localities while qualitative research methods were used to analyze data gathered from rural areas. The study also included secondary literature review from Kenya and abroad to corroborate empirical findings among them: "Review of Growth Enterprise Market Segment (GEMS) and increasing access to Kenya's capital market by small and medium enterprises (SMEs)" by CMA, Nairobi Securities Exchange (NSE) and FSD Kenya (2015); a "Study on the low uptake of capital markets products in Kenya" by CMA (2018) and a 2017 study seeking to overcome barriers on listings in exchanges in Africa and the Middle East by Africa/Middle-East Regional Committee (AMERC) working group. Key findings from these surveys and literature reviews are presented below under five broad themes:

- Financial habits;
- Knowledge of the capital markets;
- Attitudes towards the capital markets;
- Participation in the capital market;
- Implication on Investor Education Strategies in the Context of National Consumer Financial Education.

3.2 Financial Habits

It emerged that financial habits of the target market in Kenya differ by socio-demographic profiles. For example, youth in formal employment prefer to purchase tangible assets such as cars, home electronics, clothes with designer-labels and home furnishings depicting their ideal image. Youth in business are biased towards get-rich-quick schemes and purchases that provide immediate gratification and as a result many are involved in betting and the lottery and frequently use expensive digital savings and credit platforms such as M-Shwari and KCB-MPesa.

Among the older women and men, women coalesce in savings, credit and investment groups and have slightly higher savings rates and greater record keeping practices than men. For incomes, women rely more on salary and remittances for income while men relied more heavily on business. Women are also more likely than men to seek financial advice (the difference in proportion of women versus men who sought advice was 67% versus 57% from family, 53% versus 46% from friends and social networks such as chamas and 35% versus 28% from professional advisors).

Women in micro and small enterprises tend to save in table banking groups with great influence on each other while women in medium enterprises save and think independently. Both men and women professionals tend to make decisions by consulting peers and are a lucrative target of professional financial advisors. This means financial habits among Kenyans differ by gender and that gender should inform assumptions while crafting investor education strategies for retail sector. Furthermore, sub groups especially under women segment are important criteria by which to distinguish targeting mechanism for awareness creation.

Financial habits of potential investors in the Kenyan capital market differ by residence. Despite the fact that all segments consulted friends and family while making financial decisions, urban residents had greater use of print and broadcast media than rural dwellers (34% versus 23%). Urban dwellers use surplus money to save whereas rural dwellers prefer to put such money to productive assets like livestock which act as insurance against unforeseen vulnerabilities and shocks. Finally, retirees and those over 50, Kenyans in the diaspora, high net worth individuals and foreigners have conservative financial habits. They are keener at emphasizing prudence in decision making. This can be seen in both their income sources and in their expenditure patterns, savings and investment choices, and in their choice of influencers. In contrast, people with windfall gains (such as professional sportsmen, musicians and winners of sports betting jackpots) tend to be spontaneous in their financial decision making. This means different target market segments and sub-groups require customized messages and approaches for investor education.

Overall, Kenyans have tended to save or invest using the groups savings approach, formal and informal. Whereas this popular strategy has been effective in mobilizing substantial funds, there are consumers who have incurred losses in the recent past having fallen victim to unscrupulous and fraud practices.

3.3 Knowledge and Awareness on the Capital Markets

As of the time of the study, a fifth of adult Kenyans across the different market segments were aware of CMA's investor education and public awareness program. Investor education initiatives have had lower reach on rural dwellers which is below half of urban residents (25%) and women have been more receptive to forums constituted to sensitize the public on investor education. Moreover, youth have the lowest awareness level derived from TV channels and social media. Findings revealed youth in universities to be influenced by social media and peers whilst youth in employment were influenced by workmates. Social media emerged as more effective channel to target urban dwellers. Men are more reliant on TV and radio whereas women rely more on magazines and social media.

3.4 Attitudes Towards the Capital Markets

Attitudes about the capital market were better among people with higher levels of awareness. Retirees, diaspora, high net worth individuals and foreigners all display positive attitudes and high awareness about the capital market which stems from frequent exposure during their working lives. Urban dwellers, highly educated individuals and those with exposure to CMA's investor education displayed better perceptions of the capital market. On the other hand, youth in universities and young professionals perceived capital markets as suitable for affluent investors which dampened their interest to participation in the securities exchange.

3.5 Capital Market Participation Levels

Market participation was generally low because only a fifth of adult Kenyans held one or more securities with urban residents and older males being the main investors. Youth had the lowest participation rate. Among the adult population, ownership of capital market financial instruments was higher among employees and owners of medium and larger enterprises. Males had slightly higher participation than females while urban residents had significantly higher investment levels than rural dwellers. The counter for equities at the NSE accounted for the most purchases and trading and this observation was established to be the case in other jurisdictions globally. Overall, the clear trend was that market participation differed by age, gender, residence and exposure to investor education.

It also emerged that High Net Worth (HNW) individuals hold substantial investment across equity and debt product lines of the capital markets. They make investment decisions independently hence, relatively, had less need for investor education. Retirees had positive attitudes and high awareness about the capital market and held significant savings and investments in the capital market, commodity, real estate and other markets. Kenyans in diaspora displayed a moderate level of awareness and relatively lower participation in the market. This segment had remarkable potential judging by the high value of remittances to Kenya (estimated at Kshs 200 billion a year) and, thus, warrants specific outreach for investor education. Kenyans who receive windfall gains or significant lump sum earnings represent a segment that would greatly benefit from investor education as this might result in greater financial prudence on their part. Foreigners had significant knowledge having invested heavily at the Kenyan capital market largely through Fund Managers and controlling up to 80 percent of market activity. This indicates that there is little merit in targeting them with investor education activities.

On the supply side, inquest on how to increase listings revealed that, most owners and managers of medium and large companies (potential issuers) knew about opportunities offered by the capital market for instance to enable firms raise capital for various purposes. Owners of some SMEs withheld from listing due to *founder syndrome* – the personal attachment and fear to relinquish control of firms. Among others, there was perception that the process of participating in the capital market is painstaking which implies the need for conducting one on one bilateral visits to selected firms to demystify the listing process[9].

3.6 Investor Education Measurement Index (IEMI)

Subjecting the findings of the investor behavioral and situational analysis study to the Knowledge, Attitudes and Practices framework, Kenya's capital market Investor Education Measurement Index (IEMI) was 0.41. The knowledge index was 0.58 with higher scores coming from older cohorts and urban residents but manifesting a marginal difference by gender. Attitudes on the Kenyan capital market had a score of 0.45, higher among urban dwellers but did not differ by gender. Investment practices index was 0.20, higher among males which was boosted by their higher uptake of debt products whereas females had higher equities (shares) ownership. People of the middle and older age cohorts above 35 years had the highest practices index while youth had the lowest score. Finally, urban residents had higher ownership score at than rural dwellers.

[9] World Economic Forum (2016) White Paper recommended further education of potential issuers. This can be supported by additional targeted social media, direct mail campaigns and specific fora.

4.0 INTERNATIONAL BEST PRACTICE

4.1 Overview

This section summarizes case examples of national consumer financial education from four countries: India, Australia, South Africa, Brazil and Singapore. The countries were selected following a four-point criteria based on availability of information: (1) Extensive scan of literature to understand financial consumer education globally; (2) Selection of countries with national strategies for consumer financial education with priority going to: Countries with a strategy on national consumer financial education programs; Developing countries mainly from Asia and Africa; Countries with supplementary application of technology; (3) Adopting an iterative process in consultation with CMA. (4) Integrating the East Africa regional context by incorporating insights from the East African Community (EAC) secretariat how to harmonize national consumer education in the region.

Following establishment of national initiatives for consumer financial education, the five countries selected for learnings have derived positive outcomes in financial behavior of target groups. In this regard there are important lessons to be drawn in terms of the structure of the national financial education plan, content design for public financial literacy, delivery approaches and governance.

4.2 Case 1: INDIA

a) Structure of the National Strategy for Financial Education in India

India's national consumer financial education is led, managed and coordinated by the National Centre for Financial Education (NCFE). NCFE is a not–for–profit company promoted by the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI) and Pension Fund Regulatory and Development Authority (PFRDA).

The country has a National Strategy for Financial Education (NSFE) with a clear Strategic Action Plan to facilitate understanding of financial concepts and products among the nationals, develop skills and confidence to increase awareness of financial risks and opportunities as well as making good financial choices about saving, spending, insurance, investing and managing debt. The National Strategy for Financial Education (NSFE) in India seeks to: a) Create awareness and educate consumers on access to financial services, availability of various types of products and their features; b) Change attitudes to translate knowledge into behavior, and; c) Make consumers understand their rights and responsibilities as clients of financial services.

The strategy recognizes the following stakeholders: *a) Financial Consumers* who are individuals resident in India; *b) Financial Market players* who are financial institutions that act as savings aggregators from banks, non-banking financial companies, mutual funds, pension funds, insurance companies etc. The market players include financial institutions that act as intermediaries such as brokers, merchant bankers, registrars, depositories, exchanges, insurance brokers, corporate agents etc.; c) *Educational Institutions*; d) *Non-Governmental Organizations*; e) *Financial Sector Regulators*; f) *Government* - at both central and devolved levels and g) *Multilateral international players* like Organization for Economic Cooperation and Development (OECD), G-20, International Network on Financial Education (INFE), etc.

b) Objectives of India's National Center for Financial Education (NCFE)

The NCFE aspires towards ***a financially aware and empowered India***. The institution has a mission to undertake massive Financial Education campaign to help people manage money more effectively for financial well-being. Its objectives are twofold:

1. To promote Financial Education across India for all sections of the population as per the National strategy for Financial Education of Financial Stability and Development Council.
2. To create financial awareness and empowerment through financial education campaigns across the country for all sections of the population.

c) Content of India's National Consumer Financial Education

NCFE creates financial education material in electronic or non-electronic formats, workbooks, worksheets, literature, pamphlets, booklets, fliers and technical aids. Most of the financial literacy material is in digital format and covers the following topics:

- Income, Expenses and Budgeting
- Saving
- Credit and Debt Management
- Insurance
- Investment
- Retirement and Pensions
- Financial Planning
- Government schemes
- Fraud Protection
- Grievance Redressal

d) Partners and Delivery of India's National Consumer Financial Education

NCFE can attain their objectives by conducting seminars, workshops, conclaves, trainings, programs, campaigns, discussion forums independently or with help of other affiliate institutions. Each of the national affiliate institutions of NCFE namely Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI) and Pension Fund Regulatory and Development Authority (PFRDA) have independent individually run financial education initiatives some of which are profit making. Some of the affiliates have specific institutional online platforms for investor education.

Reserve Bank of India (RBI)

The Reserve Bank of India (RBI) was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934 as the central institution mandated to manage all major monetary policies, economic stability and growth in India. Consumer education information is accessible online at the Reserve Bank of India's website. Financial inclusion and education are important elements of RBI's work with the education part informing the public about documents to be submitted while opening a bank account (KYC – Know Your Customer), importance of budgeting, saving and responsible borrowing, maintaining a good credit score by repaying loans on time, banking at doorstep or at vicinity, knowing how to lodge complaints at the bank and the Banking Ombudsman, usage of electronic remittances, investing money only in registered entities, etc.

Securities and Exchange Board of India (SEBI)

Securities and Exchange Board of India (SEBI) protects the interests of investors in securities, regulates and promotes the development of securities market in India. SEBI has investor education initiatives for managing pocket money, workshop material and a general financial education booklet. The national strategy for financial education and other financial education materials are accessible here, some in vernacular languages.

Pension Fund Regulatory and Development Authority (PFRDA)

Pension Fund Regulatory and Development Authority (PFRDA) has a website but on seeking financial education inside the website, visitors are directed to the national NCFE link for granular content on financial literacy. The PFRDA website has a portal for the general public as well as for resource persons. The portal for the general public has financial education material available for school children, college-student young investors, middle income group, home makers, executives, retired and even workshop facilitators.

4.3 Case 2: AUSTRALIA

a) Structure of the Australian Securities and Investment Commission (ASIC)

Australian Securities and Investment Commission (ASIC) is the body responsible for National Financial Literacy Strategy as the lead Australian Government agency for financial capability. ASIC helps investors and consumers build their financial capability to make informed financial decisions helping Australians take control of their financial lives.

Details of the financial education for consumers are available in **MoneySmart** campaign, ASIC and financial capability platform. Australian Securities and Investment Commission (ASIC) is Australia's corporate, markets and financial services regulator. The country has other regulators in financial services sector such as the Australian Financial Security Authority (AFSA), Australian Prudential Regulation Authority (APRA), Australian Charities and Not-for-profits Commission (ACNC), the national charity regulator, Australian Taxation Office (ATO), Financial Reporting Council (FRC) and Reserve Bank of Australia (Rabun).

In terms of governance, ASIC is led by a commission which makes decisions on matters within ASIC's regulatory functions and powers that have strategic significance, and oversees the management and operations including the approval of business plans. The commission is assisted by various committees for management, audit, risk, enforcement and regulatory functions.

b) Objectives of Australia's National Center Financial Education (NCFE)

The objectives of the National Financial Capability Strategy identifies three behavioral areas in which Australians can be empowered to take control of their financial lives including:

- Managing money day-to-day
- Making informed money decisions
- Planning

For consumer education, **MoneySmart** website was created by ASIC to help consumers and investors take steps to improve their personal finances. The website has 27 calculators and multiple pages of guidance on: borrowing and credit, superannuation and retirement, budgeting and saving, investing and scams.

c) Content of Australia's National Consumer Financial Education

The **MoneySmart** online resources developed by ASIC educate site visitors on how to manage money, borrow and handle credit, information on insurance, investing and retirement planning.

There are also resources for the teaching fraternity. For schools, financial literacy in Australian schools aims to develop student skills and understanding around money.

Even though the content of ASIC's **MoneySmart** content is not dissected for segmented audience, the materials are comprehensive and easy enough to be understood by people of different sociodemographic characteristics from the young to the old, educated or not, rich or poor, investing or paying off debt. For instance, the topic on borrowing starts with basics of borrowing: how to avoid sales pressure, understand contracts and reports, credit scoring, managing loan rejection and loans involving family members. Four target groups are prioritized:

i. Women to ensure they engage with their finances
ii. Young people to help them make informed decisions
iii. Older Australians so that they receive the support they need
iv. Indigenous Australians to increase their access to appropriate financial products and services.

d) Partners, Funding and Delivery of Australia's National Consumer Financial Education

The partners of ASIC are many government entities including ministries and parastatals, business community (industry associations and professional associations), not for profit entities and academia (institutions and associations).

ASIC is funded by the financial services industry. This industry funding arrangements for ASIC became law in 2017 when it was decided that ASIC will recover its regulatory costs from the industries they regulate. ASIC Supervisory Cost Recovery Levy Regulations and amendments are contained in the Act and Treasury Laws Amendment (ASIC Cost Recovery and Fees) Regulations 2019. The National Financial Capability Strategy 2018 was developed through wide consultations with Australia's financial capability community in 2017 and 2018. The Strategy builds on the foundation of Australia's prior financial literacy strategies, the National Financial Literacy Strategy 2014-17, and the National Financial Literacy Strategy 2011.

4.4 Case 3: SOUTH AFRICA

a) Structure of the national financial education

South Africa is characterized by a well-developed formal financial sector. Financial sector regulators include the South African Reserve Bank (SARB), the National Credit Regulator (NCR), the Financial Sector Conduct Authority (FSCA) and the Financial Intelligence Centre (FIC). The Financial Sector Conduct Authority (FSCA) is the market conduct regulator of financial institutions including banks, insurers, retirement funds administrators, and market infrastructures. Financial Sector Conduct Authority (FSCA) replaced Financial Services Board (FSB) in 2018 which is empowered by Financial Services Board Act (2000) to provide consumer education in the formal education system as well as in the community. FSCA runs a consumer education website to cater for all South Africans be it young or old, rich or poor, investing or paying off debt, planning and setting financial goals.

b) Objectives and content of the national consumer financial education in South Africa

The national consumer financial education program in South Africa followed a "Financial Literacy in South Africa" survey commissioned in 2012 by the Consumer Education Department of the FSB. Financial literacy survey focused on five elements: financial control in terms of personal involvement in financial management, presence of a household budget, monitoring expenses and making ends meet; financial planning measured by keeping emergency funds, savings behavior, identifying financial advisors and level of trust in such advisors; choosing financial products from banking, credit, investment and savings and insurance as well as the process of gathering information for financial decision making; and finally knowledge and understanding of financial concepts.

South Africa's current financial education initiatives (under **My Life My Money** tag) prioritize the following groups following the findings and recommendations of the 2012 survey:

i. Young women (6–19 years) and the elderly (60 years and above);
ii. Black Africans;
iii. People in the 'low living standard' measure;
iv. Those living in rural areas and on rural farms;
v. People living in the Eastern Cape and Limpopo provinces.

c) Management of the national consumer financial education

In 2012, the National Consumer Financial Education Committee (NCFEC) was set up to enhance the financial well-being of South Africans by:

- Understanding financial management which will assist in appropriate decision making
- Monitoring the market conduct of financial institutions through their decisions and use of recourse facilities
- Enabling them to face their ever-increasing responsibilities as a result of the growing complexity of financial products and the transfer of financial risk to consumers
- Informing them to know where to look for important information, objective advice or access to recourse facilities.

Members of the NCFEC are drawn from labor, civil society, financial industry associations, financial self-regulatory organizations, government departments, provincial treasuries and NGOs. The NCFEC is chaired by the National Treasury whereas the Financial Services Board (FSB) hosts the NCFEC secretariat. The mandate of the Committee is to:

i. Finalize national consumer financial education policy (which was done after inception)
ii. Develop the national consumer financial education strategy (also done)
iii. Oversee implementation of the strategy (ongoing)
iv. Review the national consumer financial education strategy on an annual basis to ensure its relevance (ongoing)
v. Maintain a database of financial education initiatives in the country.

d) Partners and funding

In 2012, the National Treasury released a policy statement which acknowledged that, financial education is a shared responsibility which includes stakeholders such as government, financial associations, industry associations, schools, employers, trade unions, community organizations and NGOs. Funding comes from financial institutions. Financial Sector Code (FSC) requires financial institutions to channel 0.4% of the Net Profit After Tax (NPAT) towards national consumer education. Government ministries also allocate a budget to finance public financial education initiatives. Further financial support is also sought from non-state development partners.

4.5 Case 4: BRAZIL

In Brazil, the implementation of a national strategy for financial education is driven by the Committee for the Regulation and Oversight of Financial, Capital, Insurance and Pension Funds and Capitalization Markets (a committee that brings together all financial sector regulators – including the central bank).

Securities and Exchange Commission of Brazil (CVM) steers national financial education. CVM is established by Law 6,385 of 1976 to supervise and regulate the capital market in Brazil. CVM provides investor assistance, requite support to listed companies and market supervision. Strategic Goal 13 of CVMs current strategic plan is to "Promote financial education, contributing to a better understanding by investors of the benefits and risks associated with financial products" via setting up a national alliance for investor education, strengthen investor protection and better serve the investors, provide new communication channels (investors give voice to their feelings, opinions etc.), develop "behaviorally informed policies" and promote capital market research.

To deliver a national strategy for financial education, CVM is in a collaborative network with financial regulators, professors, journalists and judges, multiple public/private agencies and non-profit associations in banking, insurance and the capital market. CVM has an advisory panel that includes researchers from universities to inform evidence-based public policy. CVM has been able to pilot and develop market literacy outreach to educational institutions (launched in 2008) that has been able to run a program for primary schools, middle schools and high schools. Through a joint venture with the Ministry of Education, the program has been able to publish books targeting the three cadres of basic education. Similarly, they have publications that guide investor relations as well as a guide for those in legal practice.

4.6Case 5: SINGAPORE

National consumer financial education for Singapore is called ***Money SENSE*** is managed by the Financial Education Steering Committee (FESC) and provides modules on savings, loans and credit, insurance, investments, property, retirement and estate planning. The Monetary Authority of Singapore chairs the FESC. The Financial Education Steering Committee (FESC) was founded in 2003 with three objectives:

1. To provide strategic direction and oversight of financial education efforts in Singapore.
2. To review the current level of financial education efforts in Singapore and identify areas of overlap and gaps in financial education programs.
3. To identify and oversee the implementation of nation-wide financial education programs.

FESC provides strategic direction for the **Money SENSE** financial education program and consists of government ministries (Health, Social and Family Development, Education and Manpower), Central Provident Fund Board, Monetary Authority of Singapore, National Library Board and People's Association.

Money SENSE is detailed in the website, a resource center which has a computer-learning financial health meter for financial advice. It checks for individuals their demographics, how they manage money, investment, insurance, retirement planning and estate planning. Based on the responses to the financial health check, individuals are directed to the top three actions they can take to improve their financial health.

One of the modules that enables individuals to make sense of their money provides capacity for people to understand and set SMART financial goals, prepare a budget, save first before spending and save effectively to "stretch your dollar". The main topics are: (1) How to set financial goals and save to meet these goals; (2) Compounding interest, how it can work in your favor or against you; (3) Importance of tracking and managing your spending; (4) Why you need to save first before spending; (5) What makes a good spending plan and the concept of budgeting; (6) Ways to stretch your dollar and cut your spending and (7) Debt and how to avoid and reduce it.

4.7 East African Community Framework

The vision of the East African Community (EAC) financial education framework is a highly financially literate population attained though "fostering a broad-based financial education framework that systematically promotes financial inclusion, consumer protection and wealth creation" (the mission). The Strategic Objectives for the Financial Education Strategy are: (1) Development, enhancement and harmonization of sustainable financial education initiatives; (2) Promotion of public education and awareness on the financial sector; and (3) Enhancement of the financial services consumer protection. In 2014, the East African Community (EAC) Secretariat commissioned a regional study on financial education issues in EAC partners states to develop national and regional strategies. Findings of the inception indicated that, financial institutions in the partner states had financial education initiatives only that they were found to be marketing oriented. In a 2016 report, the East African Community (EAC) Secretariat established that the "financial literacy score for the region in 2016 was assessed at 23.7% based on scores obtained in a survey of knowledge on the following key parameters: inflation and interest rates influence on money, how much the state guarantees on bank deposits and shares, consumer rights and protection as well as financial services and products available in the markets".

The EAC study found that, across the region different states were at different stages of implementing financial education initiatives but overall there was: (1) high financial illiteracy among the adult population leading to misinformation and financial exclusion; (2) poor financial record keeping practices; (3) untargeted financial education activities to rural and urban segments, youth, university students, young working adults, women, school children and the elderly; (4) low consumer knowledge of right and protection; (5) general misuse of advertisements and other forms of communication; (6) underutilization and consumption of financial services; (7) insufficient and unsustainable collaboration with other bodies and agencies; (8) lack of adequate awareness of consumer protection laws and conduct regulation among other issues. EAC secretariat found a need to integrate financial management curricula in all learning institutions to enhance financial literacy. The report of the study analyzed financial sector landscape by country investigating the situation of segments: banking, microfinance and SACCO, insurance, pension and capital markets.

One of the key observations from the regional study of 2016 on financial education was the importance of having a body to coordinate the activities even though Uganda, Tanzania and Rwanda have made strides in coordination of national investor education. Rwanda and Uganda have lead agencies coordinating initiatives whereas Tanzania has a joint forum comprising of regulators in financial services sector. The report expressed concern about low financial literacy and overreliance on a limited information sources by the adult consumers in the EAC including Kenya. It was established that, consumers in Kenyan were more likely to be influenced by intermediaries in the capital markets (independent financial consultants and brokers) while making investment decisions. To address the gap, study suggested that financial education programs should educate consumers on how to understand advertisements more as a tool to attract consumers without necessarily providing requisite information for the consumer to make informed decisions. There was therefore a call to empower consumers with skills to help them differentiate "between advertising and full objective information". The study also provided recommendations around income generation, savings and investment behavior.

While drafting the EAC financial education strategy (2018-2021), the EAC secretariat established an important role for governments to catalyze policy action on implementing national strategies for financial education in addition to the EAC financial education strategy. The first suggestion is for governments to create an enabling environment through legal and institutional framework that empowers regulators and facilitates private sector players to conduct consumer education. Accordingly, this can involve establishing a multi-sectoral governance structure for financial education at the highest policy levels with expertise and ideally a dedicated mandate on financial education. Governments can also contribute to national consumer financial education by establishing technical working groups to drive the implementation of financial education strategies and activities.

4.8Analysis of Alternative Approaches to National Consumer Financial Education

	Diagnosis: Was a National Survey Conducted?	Body in charge of national financial education	Entity in charge of National Financial Education		Have a national strategy?	Source of funding (Funding Strategy)
			Regulatory Institution	Independent Entity		
India	Yes	National Centre for Financial Education (NCFE)	X	√	Yes	Government
Australia	Yes	Australian Securities and Investment Commission (ASIC)	√	X	Yes	Industry. By the Law ASIC recovers regulatory costs from industries they regulate.
South Africa	Not sure	Financial Sector Conduct Authority (FSCA)	√	X	Yes	Industry. Financial institutions contribute 0.4% of Net Profit After Tax (NPAT)
		National Consumer Financial Education Committee (NCFEC)	X	√		
Brazil	Not sure	Securities and Exchange Commission (CVM)	√	X	Yes	Government
Singapore	Not sure	Financial Education Steering Committee (FESC)	X	√	Yes	Unknown

5.0 IMPLICATIONS TO THE KENYA NATIONAL CONSUMER FINANCIAL EDUCATION

This section provides the implication, imperatives from the investor findings, literature review of international best practices on the design, implementation and funding of national consumer financial education strategies.

5.1 Insights from the Capital Markets Investor Behavioral Analysis Study

The Capital Markets Investor Behavioral Analysis Study provides insights into the design and implementation strategies for the Kenya National Consumer Financial Education Strategy as discussed below.

5.1.1 There is need for consumer- oriented investor education strategies differentiated by segments with priority going to high potential segments

The investor behavioral and situational analysis study established a link between product knowledge, awareness of various aspects of the capital market and uptake of investment products (market participation). There is need for investor education and public awareness on the capital market to harmonize initiatives to improve utilization of budgeted resources and avoid duplication of interventions. For instance, the outsourced face-to-face education forums could be linked to county outreach forums. The study also determined that investor-needs and suitable educational strategies vary across market segments such as youth, women, business owners and salaried youth. The investor education initiatives for youth should prioritize social media, youth-groups and market activation activities in urban and rural areas. In addition, youth outreach programs could be assimilated into structured group forums. Forums targeting various groups at devolved units of government (the 47 counties) can attain better results when implemented through partnership and collaboration among regulators in financial services sector. Such collaboration should also involve private sector players, financial literacy programs such as SACCOs' member education forums and commercial banks' training programs.

5.1.2 Differentiated Investor Educational Strategies for various market segments can yield higher capital market participation rates

In order to improve awareness, attitudes and participation rates of potential investors, there is need to prioritize sensitization among youth in business, employed youth, include residents of rural areas, people with windfall incomes, diaspora Kenyans and institutional investors because they had lower awareness levels about capital markets. Further, use of interactive digital channels for marketing and combining education and entertainment (edutainment) is bound to increase positive impact among youth and tech-savvy adults. Social norms are critical in influencing the behavior and attitudes of women and youth towards participation in investment products. Marketing ploys such as role-play advertising are suitable for women and youth segments and they emphasize on the experience of peers and opinion shapers a with the investment products. The marketing channels can include below the line marketing channels for women and youth groups as well as staff welfare associations.

5.1.3 On the supply side, low hanging opportunities lie in targeting potential issuers through listings incubation programs, one on one outreach and policy among other incentives

Simplifying requirements and reducing costs for the small and medium-sized enterprise (SME) market is a global trend to create a capital financing market that competes with traditional commercial bank loans for smaller businesses. Bank loans are frequently more attractive economically and less burdensome than issuances for the (SME) markets. Whilst Kenya, like South Korea, Malaysia, Thailand, Singapore and India have created a market segment – GEMS - for SMEs, more support is required to attract more firms and investors to popularize this segment. Working with the Nairobi Securities Exchange (NSE) to support the Ibuka Program, engaging potential issuers on a one-on-one basis, pursuing policy incentives with the national treasury to promote increased listings and trading activity at the Growth Enterprise Market Segment (GEMS) and continuously evaluate listing rules and requirements.

As a follow up to the 2017 "Business Incubator and Accelerator on Listings", the Capital Markets Authority should follow up one-on-one incubation meetings with key potential issuers and select intermediaries. Follow up meetings will considerably demystify the process and accentuate the benefits of listing; moreover, this strategy has been adopted globally, and has been used with success.

Following the launch of regulatory sandbox policy guidance note in 2019 to facilitate admission of FinTech firms to deploy innovative products and solutions to deepen the capital market in a secure and controlled environment, it is possible to operationalize use of the sandbox and supervisory technology (SupTech) allowing CMA to remain vigilant to investor protection, financial stability and integrity risks. Other design competitions could be launched to support innovators to develop capital market solutions as well as regulatory technology (RegTech) solutions to reduce regulatory cost of compliance on regulated persons through streamlining among others KYC, regulatory reporting and AML-CFT compliance requirements.

The following initiatives have been found to increasing capital market participation from global jurisdictions:

1. **Diversify stock market products to attract corporate, pension, bank, and other categories of investors**. Brazilian capital markets, in 2000 the B3 stock exchange created special corporate governance listing segments, in addition to those established by Law 6404 Corporation Law[10].
2. **Expanding the investor base to include state-owned enterprises, listed firms and pension funds.** Thailand Stocks Markets and China encouraged state owned enterprises to list and the large companies that are already issuing bonds to also issue stocks, given that they already largely comply with various reporting requirement.
3. **Incentives -Tax incentives to encourage investments.** Thailand applies tax rate of 25% applied to Stock Exchange of Thailand (SET) listed firms, as opposed to the normal rate of 30% and an additional investment tax credit up to 25% of the total qualifying cost of new projects of listed companies (machinery, vehicles, equipment and software).
4. **Boosting issuers' stocks liquidity.** The Singapore bourse already permits the secondary listing of companies with dual-class share structures, with the potential for a secondary listing on the Singapore Exchange (SGX) to enhance an issuer's public image.
5. **Offering a credit and deposit guarantee** to de-risk investments in lower rated bonds such as infrastructure bonds. This is especially common in advanced capital markets such as Sweden and Tokyo stocks exchange[11].

5.1.4 A partnership approach to design and implementation of National Consumer Financial Education creates more ownership among different actors

Financial sector regulators who include the Capital Markets Authority (CMA), Central Bank of Kenya (CBK), SACCO Societies Regulatory Authority (SASRA), Retirement Benefits Authority (RBA) and Insurance Regulatory Authority (IRA) should jointly create a more enabling environment for private sector actors to motivate intermediaries drive financial literacy akin to the one in the banking sector. This can be achieved through partnerships where for example CMA and fund managers contribute resources on a cost-sharing basis to conduct the train-the-trainer workshops. This has not been happening yet because of subdued market performance that may have led to fund managers not allocating sufficient money towards training of trainers (ToT). Buoying on this synergy, regulators should in collaboration with intermediaries conduct informative and high-profile product launches for all new products and services, backed by

[10] http://www3.weforum.org/docs/WEF_accelerating-capital-markets-development-in-emerging-economies.pdf
[11] https://medium.com/venture-views/regulatory-capital-market-reforms-needed-to-revive-singapores-stock-market-3e9e497e3338

significant publicity for more impact. Leveraging on brand ambassadors, thought influencers, women leaders, bloggers, politicians and celebrities in communicating messages is likely to be impactful in increasing product uptake in the capital markets.

5.1.5 Key constraints limiting greater impact of consumer financial and investor education initiatives are lack of coordination among stakeholders, one-size-fit-all initiatives that use complex language.

Current investor education programs are fragmented whereby each player runs parallel outreach and financial literacy initiatives which are uncoordinated and mostly under-resourced. The Capital Markets Investor Behavioral and Situational Analysis study established that among regulators of sub-sectors/industries of financial services sector; commercial banking, capital markets, savings and credit or insurance, the existing financial education initiatives are duplicative in nature due to lacking national consumer financial education framework.

The understanding of the profiles of the target market segments is limited as evidenced by the complexity of the language used in current programs termed as 'not easily understood' by the audience. The study also noted minimal differentiation of market strategies across target market segments such as such as youth, women, SMEs and rural residents. Consumer focused research such as through experimentation studies would be useful for regulators and service providers to share learnings into incentives, behavioral nudges and marketing gimmicks that empower the consumers to select suitable financial products and those that amount to predatory marketing and infringement on consumer rights.

Similar to education curricula, which shape individuals' behavior overtime, it is noted that a majority of investor education programs with respect to product uptake will evidence their results in the medium to long term as opposed to immediately as is the case with fast moving goods. It is also noted that the impact of awareness initiatives will need to be looked at in light of the current existing macro-economic factors that have prevailed since early 2018. This notwithstanding, the Authority continued to leverage on partnerships by participating in forums and exhibitions in various counties in collaboration with strategic partners, stakeholders, learning institutions, intermediaries, ministries and intermediaries as examples.

Although there are challenges with respect to the supply side despite several interventions, the Authority has been engaging potential issuers on one on one visits as well as supporting the Ibuka Program of the NSE in onboarding more companies. The Train of Trainers initiatives targeting intermediaries is an initiative that begun during the second quarter of the 2019/2020 financial year and is expected to be produce results in the longer term cognizant of the current market conditions.

Other constraints included lack of elaborate measurement, monitoring and impact assessment frameworks of existing consumer education strategies. There also lacked focus on consumer protection in most of the private-led initiatives. As a public good which is subject to 'free-rider effect', consumer financial education should be led by the government to ensure that the agenda of consumer protection is maintained.

Lack of elaborate measurement, monitoring and impact assessment has been mitigated by the inclusion of the investor education impact measurement index as part of the Capital Markets Behavioral and Situational Analysis that will provide data on Knowledge, Attitude and Practice. The Authority adopted the approach in all its surveys to receive a more pertinent information. The index will also be re-calculated by June 2020 to measure results and progress alongside knowledge, attitudes and practices on the capital market.

5.2 Useful Lessons from International Best Practice

In almost every country, there is an important lesson to learn. Some initiatives of varied description are taking place to deliver financial education but in the absence of a national strategy on financial education, such initiatives tend to be patchy, uncoordinated therefore do lack strategic focus. The development of Kenya's national strategy on consumer financial education will provide focus and avoid unplanned gaps and duplication through fostering strategic and sustainable partnerships among regulators and private actors.

There are important lessons for Kenya to draw from international jurisdictions. These lessons can inform the structure of the entity in charge of National Consumer Financial Education (NCFE), content development, strategy formulation on how to conduct an effective national consumer financial education and funding plan.

i. Content development and governance

The financial services landscape in Kenya consists of different sub-sectors with independent regulators and intermediaries who can join the management team of the national consumer financial education. These sub-sectors (industries) are commercial banking, insurance, capital markets, and savings and credit cooperatives. The banking sector is regulated by the Central Bank of Kenya (CBK), Insurance Regulatory Authority (IRA), Capital Markets Authority (CMA) and the SACCO Societies regulatory Authority (SASRA).

Being umbrella institutions, each of the above-mentioned regulators in Kenya's financial services sectors should in consultation with other sector intermediaries prepare basic content on financial education relevant to their industry. Such content covers topics such as income; expenses and budgeting; saving; credit and debt management; insurance; investment; retirement and pensions; financial planning; fraud protection among others. This content should be submitted to a taskforce mandated to put together a curriculum for national consumer financial education. Once the national content is coalesced into a complete syllabus, it should be published on the Kenya National Consumer Financial Education website. The taskforce should also give direction on how content is deployed across sectors for more cohesive messaging and impact.

Leadership and governance

The leadership of the national financial education program in South Africa has a layered approach to governance comprising of a steering committee, review committee and experts' panel. In the case of Kenya, the steering committee can comprise of associations such as Kenya Bankers Associations (KBA), Association of Kenya Insurers (AKI), Kenya Union of Savings and Credit Cooperatives (KUSCCO), Association of Microfinance Institutions in Kenya (AMFI-K), commercial banks, development banks, insurance companies, Savings and Credit Cooperatives (SACCOs), pension funds and NSE. The review committee can include regulators and intermediaries, academia and Credit Reference Bureaus (CRBs). The experts' panel can have the Ministry of Education, the Kenya Institute of Curriculum Development (KICD), consultants and a Ministerial taskforce (say, Financial Services Board) which is chaired by the Cabinet Secretary of the National Treasury.

ii. Funding the national financial education

Acknowledging that financial education, like public goods, can be subject to market failure because of free-riding by private sector players, commercial entities may lack incentives to invest in its provision. Therefore, no specific private sector institution will be motivated enough to pay for optimal provision of financial education. Australia's funding model for national consumer financial education is tiered whereby commercial entities contribution is determined as a function of annual turnover. Learning from that strategy, an appropriate funding structure can be modelled on aspects like turnover and willingness to pay among private actors in financial services sector and development partners to contribute funds to the Kenya National Consumer Financial Education.

iii. Stakeholder-led financial education

National financial education has a role for each of the regulators and intermediaries in financial services as they shall be required to continue conducting their unique financial education both online and by physical audience engagement. In addition to institution-specific education programs, regulators shall provide links on their website that refer newly inducted people in Kenya's financial system to the national educational resources hosted within the Kenya National Consumer Financial Education website.

iv. Segmentation of financial education

Overall investor education and financial education should cover topics on income and expenditure; budgeting and planning; saving and investing; credit and debt management; insurance among others for general audiences. Equally, popular channels like face-to-face, print and audio mass media channels can be used for ease of reach to the masses. But whereas there are cross-cutting learnings on the content and delivery channels that fit all target groups, customization is bound to yield better outcomes on consumer empowerment.

Therefore, to attain greater effectiveness, financial education should be customized to specific segments. This implies that training modules need to be prepared for specific target groups and sub-groups in Kenya's financial services sector. Such groups may be stratified based on education, income, age, financial behavior, financial literacy levels, career or job cadre/designation, as is the case for the countries studied, particularly India, Australia and South Africa.

> India adopted a segmented financial-behavior-oriented strategy to financial education implemented through key programs of the National Center for Financial Education (NCFE) in charge of implementation of the national strategy for financial education representing the financial watchdogs in India. Pradhan Mantri Jan Dhan Yojana (PMJDY) implements that national financial education strategy for targeted groups prioritized in the NSFE including women and low-income groups. Sukanya Samridhi Yojana focuses on financial education for women and young girls; Beti Padhao Yojana focusing on financial literacy and overall welfare outcomes for women. Financial education strategies helped PMJDY scheme to record a 24% increase in accounts opened in 2018 alone.

v. Use of multiple languages for greater outreach

In India, all vital financial education material (especially for non-segmented general public) are published in many languages including English and Hindu as well as vernacular languages. This practice is replicable in Kenya through at least English, Swahili in print as well as actual vernacular radio covering other languages to enhance outreach and impact of financial education particularly at the County level. The use of sign language is also utilized in Kenya based on request albeit the requests have been relatively low. To mitigate costs, several staff have been trained on the use of sign language and deployed upon request.

vi. Automation

One of the most practical solutions by Australian Securities and Investment Commission (ASIC) is a personalized tool for financial management called *TrackMySpend*. The *TrackMySpend* is an APP designed by the *MoneySmart* campaign under the Australian Securities and Investments Commission to enable users to track their expenses on-the-go using their mobile phone. The *TrackMySpend* is useful for weekly household budgeting, manage costs for special events like weddings or celebrations, work or travel expenses, coffees, lunches and any other cash expenses people find hard to record. Users get to nominate a spending limit, separate 'needs' and 'wants', identify opportunities to save, among other things. Such a concept can be adopted in Kenya.

The online portal interface for the National Consumer Financial Education should provide tabs for: financial education information with linkage to partners, programs, addressing complaints or grievances and downloadable resources easily available to the public.

vii. Attitudes and Behavioral Tracker

Continuous measurement of indices that show evolutions of financial literacy, behavior and attitudes is critical. From Australia, research on financial education initiatives are funded by a national private financial institution with inputs from ASIC and the research community to inform public policy. In 2018, ASIC conducted the Australian Financial Attitudes and Behavior Tracker to help National Financial Capability Strategy inform and drive actions to improve the financial capability of Australians.

viii. Continuous capacity building of actors in financial markets

Lessons from the East African Community (EAC) find value in continuous training of market participants, investors and the general public on the financial market, products and participation processes besides simplifying and elaborating the process for potential issuers in the capital markets.

6.0 RECOMMENDATIONS FOR THE KENYA NATIONAL FINANCIAL EDUCATION STRATEGY

6.1 Recommendations for the Kenya National Financial Education Strategy

To guarantee sustained gains from the Kenya national consumer financial education, it is important to use a multi-stakeholder approach so that a steering committee is established to ensure inclusion of intermediaries in financial services, regulators and providers of payments systems, finance, savings, credit and insurance, government entities, NGOs and private sector. Further, financial education should not only reach the market segments with immediate capacity to participate in financial services but also impact future generations. A sustainable financing mechanism for national consumer education programs should be established to ensure sustainability.

Key elements or principles of the Kenya national consumer financial education: strategic alignment and governance structures, linkage with other strategies including strategies espoused in the EAC Financial Sector Development and Regionalization Project, having clear working definitions of key terminologies, suitable implementation framework for the consumer education strategy, using an inclusive and collaborative approach to the national strategy, defining the policy context for the design and delivery of the financial education, identifying key stakeholders for successful implementation of the strategy and prioritizing target groups, designing content for consumer education, selection of suitable delivery channels, suitable funding strategy, enhancing consumer protection and appropriate implementation, monitoring and evaluation.

Element 1: Strategic Alignment and Governance Structures

The Capital Markets Master Plan 2014 – 2023 (CMA, 2016) seeks to enhance consumer education and literacy through the development of a national consumer financial education policy and strategy. One major learning lesson is for Kenya to establish an independent, not-for-profit organization to manage implementation of the policy and to coordinate all stakeholders involved in financial literacy and investor education. Countries like India, South Africa, Australia, Singapore, Canada and the UK have such a body (the Financial Services Consumer Education Foundation, Ontario Securities Commission and Money Advice Service respectively) funded by levies imposed on listing entities.

Borrowing from other jurisdictions including the EAC, a leadership structure can be established with a National Financial Education Steering Committee (NFESC) coordinating the following key stakeholders, by setting role and responsibilities based on unique strengths, interests and resources of each.

1. **Lead entity for Kenya National Consumer Financial Education:** The National Treasury
2. **Government entities** to facilitate proper implementation of the strategy and creates an enabling environment through legislative and executive support.
3. **Regulators** that provide guidance to specific industries on how to implement the initiatives. These are regulators of financial services in banking, insurance, capital markets, pensions, SACCOs etc.
4. **Financial Services Providers** that act as intermediaries in banking, mobile payment providers, Fintechs; insurance companies; capital markets actors from brokers to fund managers, venture capital funds, social impact funds among others; pension funds; savings and credit cooperatives, etc. in facilitating products and services to the public. These institutions will provide platforms and other resources for national financial education because they reap mutual benefits.
5. **Development Partners;** Donors that have essential roles to play in the financial education agenda through capacity building and networking.
6. **Associations** such as bankers' associations and insurance associations that support relevant policies and platforms for implementation of national financial education.
7. **Research and Academia** such as business schools in universities and colleges, professional training institutes and research institutes to advice on research and development.
8. **Media and Mobile Number Operators (MNOs)** especially those that play complementary role in supporting financial education.
9. **Community financial groups** that mobilize and support uptake of products and services representing consumers/investors that utilize products and services.
10. **Employers** especially marketing and consumer awareness departments can provide a forum where education outreach can be done to staff on capital markets and other industries of the financial services sector.

In addition to coordination, the committee can also be charged with designing the National Kenya National Consumer Financial Education Strategy (KNCFES), implementation, communication and accountability.

Element 2: Linking the EAC strategy with the Kenya national consumer financial education strategy

To promote financial sector integration among EAC Partner States in line with the East African Common Market Protocol (CMP) goals, it is imperative that, the Kenya National Consumer

Financial Education aligns with the EAC strategies for financial sector development and regionalization. The EAC is keen to bridge gaps related to financial inclusion, financial literacy, consumer protection and underutilization of services through a cross-country coordinated approach. Following the signing and ratification of the Common Market Protocol, the East African Community (EAC) Secretariat in collaboration with the World Bank and other development partners established the EAC Financial Sector Development and Regionalization Project I (EAC - FSDRP I) to support the development of the financial sector through the establishment of a single market in financial services among EAC Partner States. Specific strategies on how to target market segments for financial education are contained in the EAC Financial Education Strategy (2018 – 2021) and may inform development of national consumer financial education strategies in Kenya.

Element 3: Clear working definitions of terminologies

The strategy should have clear definitions of key concepts used in development of content for consumer financial education so that the audience can understand the meaning in their local context.

Element 4: An implementation framework for the consumer education strategy

For sustainable effectiveness and to achieve behavioral change in the population, investor education initiatives should ideally be implemented within an enabling framework, such as the Kenya national financial sector approach espoused in the Capital Market Master Plan 2014-2023 (CMA, 2016). In addition, investor education initiatives should be based on the market characteristics and the regulatory framework, as well as on the levels of financial literacy and biases of the target population. Indeed, CMMP 2014-2023 saw the need for regulators to "partner with relevant stakeholders to develop an adequate legal and regulatory framework both at the national and county level to support financial sector growth, which will provide a platform for fiscal and financial stability…".

In the spirit of Capital Market Master Plan and learning from global jurisdictions, there is *clear need to support formulation of a national consumer financial education policy and strategy* in consultation with key ministries (especially Finance and Education) and relevant stakeholders (including regulators, industry associations and academia) and other relevant partners. The strategy can have horizons of five (5) years in each planning period.

Element 5: Inclusive and collaborative approach to the national strategy

It is recommended that adoption of a holistic approach to financial education will yield coordination and synergize the strengths of the various regulators and actors. This is envisioned in the Capital Market Master Plan (CMMP) 2014-2023 and the EAC Financial Sector

Development and Regionalization Project I (EAC - FSDRP I). However, lobbying at the ministry level is needed to ensure strategic alignment with the key stakeholders offering financial products including banking, insurance, retirement and capital market products. These stakeholders are regulators, licensees of capital markets, professional bodies

Among regulators and key policy makers within Kenya's capital market are the Capital Markets Authority (CMA), Central Bank of Kenya (CBK), and the National Treasury, Ministry of Education, the Retirement Benefits Authority (RBA), Insurance Regulatory Authority (IRA) and the Sacco Societies Regulatory Authority (SASRA).

Licensees in the capital market include Nairobi Securities Exchange (NSE); Central Depository and Settlement Corporation (CDSC); Investment Banks, Stockbrokers, Fund Managers, Investment Advisors etc. Associations and Professional Bodies range and are not limited to the Kenya Association of Stockbrokers and Investment Banks (KASIB), to the Kenya Association of Investment Groups (KAIG), Association of Fund Managers (AFM), Association of Collective Investment Schemes (ACIS), REITS Association of Kenya (RAK), Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Certified Investment and Financial Analysts (ICIFA), CFA Institute, and Institute of Certified Public Secretaries of Kenya (ICPSK).

Finally, the academia communities are a principal pillar to implementation of investor education through content development, research and delivery as epitomized by the Kenya Institute of Curriculum Development (KICD), public and private universities among other learning institutions. On the demand side, stakeholders and investor segments constitute retail investors such as individuals, SMEs and Chama's; institutional investors (fund managers including managers of financial instruments held by foreigners, pension funds, investment trusts and unit trusts); High Net Worth Individuals (HNWI); diaspora investors and the Kenyan Counties.

Element 6: A defined policy context for the design and delivery of the financial education

National financial education in Kenya should address the needs of target groups that are both prospective and existing users of financial services.

Education initiatives must be monitored and evaluated to guide policy makers on how and when to fine-tune content or delivery channels to increase effectiveness and relevance to various target market segments. For example, it will be imperative to conduct frequent quantitative and/or qualitative studies to understand changing circumstances of the target market in terms of knowledge, attitudes and behaviors, potential and current investor needs and expectations of individuals and households with regards to long-term investing or even opportunities for companies to list.

Other objective issues to investigate are capacity to earn or manage incomes, propensity save and invest, risk profiles (aversion and preference) for certain product categories and besides monitoring investor education impact analysis measurement index to be used to gauge the effect of the investor education initiatives. Such surveys enable the regulators to scout for areas of vulnerabilities and identify the kind of financial products held by various segments besides facilitating an analysis of the most common complaints and ways to provide redress.

Element 7: Key stakeholders identified for successful implementation of the strategy

There are many potent partners to the Kenya national financial education program on the demand side, supply side and the regulation front. The word "partner" here refers to all actors from regulators to licensees and intermediaries and even providers and users of financial services.

Element 8: Design and implementation of funding strategy

To ensure the effective implementation of the national strategy requires sustainable and continuous funding. As such, many countries find it important to secure finances for designing programs from a cross-section of sources including public institutions, financial service providers, donors and other parties expressing willingness to contribute to this important cause. Similarly, there is a clear need for multi-stakeholder approach to the delivery of investor education in Kenya. Such an approach allows for stakeholders to deliver to the strategy their core competencies and key activities in line with their mandates. This will not only ease funding requirements but will also promote the coordination of efforts of key stakeholders involved in financial literacy and investor education in the country.

South Africa, Australia, Canada, the US and the UK all carry out education through this kind of institutional organization (the Financial Services Consumer Education Foundation (USA), Ontario Securities Commission (Canada) and Money Advice Service (UK) respectively) funded by levies imposed on companies within the financial sector. In Australia the levies are determined by asset-base, turnover and customer base of the contributing private sector institutions. However, in India and Brazil, the national government budgets for national consumer financial education.

Kenya can consider operating a hybrid funding model whereby government (at national and county levels) sets aside money in the budget whereas financial services providers are levied a fee or commission whose proceeds go to national consumer financial education programs. This fund can be managed by a non-profit entity in charge of national consumer financial education that is constituted in consultation with multi-stakeholder entities mentioned in Element 4. Specifically, public institutions will take leadership by engaging their human resources in education and consumer protection departments in implementation of the national strategy within their specific mandates. Donors will express readiness to finance specific thematic areas of the national strategy; financial service providers will find value in contributing finances to a joint pool that will lead to mutually beneficial outcomes. Other interested parties can support national financial education initiatives in the scope of their possibilities by either donating money or distributing IEC materials, providing space online or physical premises for public education or even offering their human resources without charge.

Contours of the funding structure for the Kenya National Consumer Financial Education

There is little evidence on how private sector contributions can be blended with public funded strategies to finance sustainable national consumer financial education strategies. Therefore, a graduation model is recommended for Kenya whereby public financing and voluntary private sector contribution dominates in the short term while graduating to a tiered mandatory contribution by private sector in the medium to long term. Such a structure should effectively apportion higher levies to large institutions such as tier-1 conglomerate banks and commensurately lower levies to smaller institutions. What may be even more effective is to create a platform that intermediaries and listed companies must join as a statutory requirement. Other entities may join, whereby they contribute content and delivery and that in turn becomes part of their Corporate Social Responsibility (CSR). The more successful entities can be incentivized to contribute financially, particularly when their stakeholders buy into the concept.

Element 9: Target groups prioritized

Target beneficiaries of the national financial education program are broad and can be reached at learning institutions, organized groups, co-operative societies, investment clubs and shareholders associations, intermediaries, Kenyans in diaspora, foreign investors, business people and other professionals among others. These groups can be segmented by age, income groups or other criterion to identify *priority target segments* comprising of prospective and existing users of financial services. Prioritization of groups is best done by specific sub-sector *regulators* through a *diagnostic study*.

Element 10: Design of content for consumer education

For the capital markets, the content of investor education programs should cover the whole process of raising awareness about the need to invest for the long-term, understanding individual and household longer term needs, setting realistic goals, choosing and managing long-term investments, searching for advice and solutions, exploring different sectors and products to find the most appropriate level of diversification, making and reviewing those decisions, as well as understand the basics of the financial consumer protection framework. Following a guide by G20-OECD (2016), the standard content for investor education should advise existing and potential investors on:

1. Benefits of long-term financial planning and identifying personal goals that encourage long-term investing;
2. Where to obtain information about the track record and reliability of financial intermediaries and providers, differentiating between fraud and scams and legitimate intermediaries and offers;
3. Understanding level of protection and rights given current levels of regulation;
4. A better appraisal of risks and understanding the importance of risk diversification;
5. What to disclose about personal circumstances and needs, as well as knowing what to ask of financial services providers;
6. The product offer and the key financial terms relating to long-term investment products;
7. Choosing and comparing among different products and among different providers;
8. Making consumers aware of their own biases (over-confidence, levels of risk aversion, etc.) which can mislead them into wrong decisions.

Moreover, investor education in Kenya must be contextualized to unique needs of target market segment. For instance, the Kenyan capital markets investor behavioral and situational analysis study (2017/18) established that, youth in academic institutions sought more simplified information about the capital markets and look forward to tailor-made products to enable them make investments fitting their limited incomes. Youth in business are keen to mobilize financial resources to expand their businesses. Further income among youth was targeted by many actors such as banks in finance sector, telecoms in communications sector and other industries such as multiple betting firms. Such specific needs of target segments and sub groups will dictate what message to share with them and the medium of communication, which is to reach out to them, when and where.

Element 11: Identification and selection of delivery channels

Since the roll-out of the Capital Markets Master Plan (2014-2023), the Authority has embarked on various initiatives targeting myriad of target groups some of which have proved effective over time and hence can be scaled up with increased innovation. Some of the various initiatives include structured investment group forums and Face to Face Education Programs. This mode of training is most popular and is cluster based on the target group and employs auditorium or classroom-based methods. Three broad delivery modes can be dissected into communication channels:

Mode of education and learning	Details
Audio-Visual	o This mode has pre-recorded messages, charts, posters, drawings, diagrams, presentations, movies, documentaries and other visual aids. Content can be delivered via PowerPoint presentations, face to face during meetings, phones, radio or Television.
Participation in Groups	o There will also be discussion groups to help them interact and also learn from each other. This will make them open up, and it will also enhance retention.
Self-Directed Learning	o Self – study and post training review. During the training provide training material to enable the target audience revisit for further reading and incase of clarification. Messages using this mode can be delivered using mobile Apps and online targeting segments like youth or sub groups domiciled abroad Kenya.

a. Infusions of capital markets in school curriculum

One of the effective modes of product awareness is inclusion of investment information in the education curriculum at various intervals through a child's academic development from the lower primary to the tertiary levels of learning irrespective of their academic specialization. Such an inclusion will allow the child to internalize values from the importance of saving and investment which will translate into positive behaviors as they grow up. In colleges and universities there are compulsory units, 'Common Courses' which seeks to equip these students on topics outside their core learning. It is vital that content on the capital markets be taught at this level to facilitate sound decision making on long term saving and investment.

b. Redesign of university youth outreach program

The university outreach program seeks to create awareness to the university students on the capital markets through panel discussions and presentations on financial literacy and the role of the capital markets. Whilst this initiative has proved effective in engaging the university youth, their immediate focus is more on future employment and quick money-making activities. First this program needs to target other academic institutions not just universities. Secondly the program should cover, additional aspects such as:

- Career guidance sessions
- Investment apprenticeship opportunities not only within the Authority but also across the industry
- Inter- institution competitions.

c. Mass media campaigns/social media

Arguably with the digitization coming of age, digital presence is a must for any party seeking to create awareness of any product or service. In terms of audience loyalty, social media is overtaking conventional media channels from print newspapers and magazines to TV, radio, billboards and even roadshows. Notwithstanding that the Kenyan capital markets investor behavioral and situational analysis study (2017/18) underscored the important role played by some of these traditional media amid budget constraints, it is crucial for CMA to have more aggressive digital presence on Facebook, YouTube, Tweeter, Instagram, email engagements and short code messaging for market updates and engagement.

Element 12: Enhance consumer protection to promote confidence in savings and investment vehicles

There is growing growing consideration that financial education is indeed an additional layer of investor protection. To safeguard consumers who may be victims of frauds, learning recent incidences where some people suffered adverse impact upon losing savings from SACCO mismanagement, it is imperative to create safety nets to prompt confidence for people to continue saving or investing in such vehicles. A robust and comprehensive regulatory framework should be put in place to handle such cases.

Element 13: Implementation, monitoring and evaluation

Monitoring and evaluating the implementation of the Kenya national consumer education is required from an accountability perspective, to ensure that funds are spent efficiently, and to allow policy makers to better understand the appropriate policy mix of different components from inputs to activities, outputs, outcomes and intended impacts. One of the innovative practices gaining popularity in developed countries is to incorporate behavioral economics (behavioral insights) methodology and experimentation on strategies to incentivize the public to adopt better financial management practices.

a. Implementation

Once the five-year National Consumer Financial Education Strategy (NCFES) is designed by National Financial Education Steering Committee (NFESC), regulators of different industries (sub-sectors) will develop annual work plans to implement specific activities to attain clear goals. The *annual* work plans shall have logical frameworks with Objectively Verifiable Indicators (OVI) or Key Performance Indicators (KPIs).

b. Monitoring

Monitoring of on-going financial education activities being undertaken by a diverse group of stakeholders as coordinated by regulators will be done by the National Financial Education Steering Committee (NFESC) *continuously*. NFESC shall be guided by targets against achievements along the Objectively Verifiable Indicators (OVI) or Key Performance Indicators (KPIs. Examples of KPIs include the levels of Investor Education Measurement Index (IEMI), national private savings level as well as uptake and usage of capital market instruments as availed by the CDSC database or subsequent surveys. Other indicators are reach of IE strategy, conversion rates to uptake of investment products and activity rates in terms of volume and value among different target segments. It is advisable to test experiments and nudges affect responses by target groups and therefore progress towards attaining the set goals of the financial education program. Based on the results, learnings can influence implementation of subsequent activities for greater achievement.

c. Evaluation

Evaluation of the national consumer financial education strategy program will be facilitated by an independent consultant or firm which is awarded the task by competitive bidding.

Three levels of evaluation will be conducted for each five-year strategic planning period: baseline, mid-line and end of term. Baseline evaluation will help establish the financial literacy status of knowledge, attitudes and practices of various sub-sectors/industries of the financial services sector. This will require a diagnostic survey.

Mid of term evaluation will be done between the second and third years of implementation of the National Consumer Financial Education Strategy (NCFES). Finally, the end of term evaluation will be conducted upon elapse of the five-year implementation period.

6.2 CMAs Contribution to the Kenya National Consumer Financial Education Strategy

As mentioned in line with the Capital Market Master plan 2014-2023, the Capital Markets Authority is well positioned to play a catalytic role in the development of the Kenya national consumer financial education policy and strategy. Specific duties for CMA shall include to:

1. Implement, with support of the East African Community (EAC) Financial Education Strategy Working Group, two objectives of the EAC Financial Education Strategy (2018 – 2021), namely: (1) Establishing stakeholder engagement and partnerships, and (2) Development and integration of financial education into the school curriculum.

2. Link the EAC strategy with the Kenya national consumer financial education strategy. This action will aid in efforts towards financial sector integration in line with the East African Common Market Protocol (CMP) goals, financial sector development and regionalization. Indeed, the EAC Financial Education Strategy (2018 – 2021) provides an additional reference point for developing national consumer financial education strategies in Kenya.

3. CMA to table the White Paper to Joint Financial Sector Regulators Forum to come up with a more synchronized approach across the financial sector which can be taken up by the National Treasury. Other regulators will get to share their experiences and pain points in the savings mobilization process to serve as learning points across the financial services sector. Such a coordinated approach may result in an Act being put in place in favor of compulsory savings among Kenyans.

4. Lobby with the National Treasury to champion setting up of a national consumer financial education taskforce. Also reach out to regulators in financial services sector to sensitize them on the need for a national, coordinated, approach to consumer financial education. These regulators are the Central Bank of Kenya (CBK), Insurance Regulatory Authority (IRA), SACCO Societies Regulatory Authority (SASRA) and the Retirement Benefits Authority (RBA).

5. Take part in the national taskforce as constituted by the Ministry of Finance to formulate the Kenya National Consumer Financial Education policy and strategy through a consultative process to ensure sustainability and buy-in from different stakeholders.

6. Champion identification of priority target groups for provision of financial education. Specific to the capital market, these groups consist market segments with high investment potential as established by the capital market investor behavior and situational analysis opportunities study. The groups to be prioritized include students, youth in business, women owners of small and medium enterprises, diaspora Kenyans and retirees.

7. Take lead in design of the monitoring and evaluation logical framework. Most critical here will be to support identification of Key Performance Indicators (objectively verifiable indicators) which are paramount for effective monitoring and evaluation of impact of the national consumer financial education.

8. Guiding the development of the national consumer financial education curriculum using content from various industries and stakeholders. This duty can also entail mapping stakeholders to determine who or which entity will be assigned specific responsibilities during implementation.

9. Seek adoption of the principles and elements critical to the design of the Kenya national consumer financial education strategy as contained in the White Paper.

10. Periodically develop an internal capital market investor education strategy cascaded from the Kenya national consumer financial education strategy with training calendar for investor engagement forums.

11. Champion digital strategy including building a national consumer financial education online platform and community. Potential investor's engagement platforms for knowledge assessment and educational materials can be adapted by learning from India, Australia and South Africa.

12. Continue the drive to increase firms' participation on the supply side of the capital market by:
    a. Supporting the Ibuka Program, joint with the Nairobi Securities Exchange (NSE), for incubation and acceleration of firms aspiring to list at the Growth Enterprise Market Segment (GEMS).
    b. Identifying potential issuers on a one-on-one basis and providing them with requisite technical support towards listing.
    c. Engaging the National Treasury in conversations around policy incentives that can entice firms to issue various instruments.
    d. Evaluating listing rules and requirements frequently to encourage more participation of firms that may finds requirements as too stringent.

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Appendix Table 1: Gross Secondary Market Statistics, 2014–2018

	2014	2015	2016	2017	2018*
Equities Market					
Total Number of Shares Traded (million)	8,233	6,812	5,809	7,065	6,336
Total Number of Deals	548,991	406,632	300,183	284,982	305,597
Total Value of Shares Traded (KSh billion)	216	209	147	172	176
NSE 20 Share Index (Base Jan 1966=100)	5,113	4,040	3,186	3,712	2,834
Market Capitalization (KSh billion)	2,316	2,054	1,932	2,522	2,102
Fixed Income Securities Market					
Total bond Turnover (KSh billion)	506	305	433	429	558
Capital Markets, Licensed/					
Securities Exchange	1	1	1	1	1
Central Depositories	1	1	1	1	1
Investment Banks	13	14	14	14	16
Stockbrokers	10	9	10	10	10
Investment advisers	17	17	13	14	14
Fund Managers	24	25	28	26	27
Collective Investment Schemes	19	20	23	23	24
Authorized depositories/Custodians	14	14	14	14	15
Credit Rating Agencies	3	3	3	3	4
Venture Capital Companies	1	1	1	0	0
Real Estate Investment Trust Managers	2	6	8	8	9
Real Estate Investment Trust Trustees		3	3	3	3
Employee Share Ownership Plans	10	11	11	14	14
Authorized Real Estate Investment Trusts			3	1	1
Authorised Securities Dealer					2
Non Dealing Online Foreign Exchange Broker					1
Money Manager					1
Total	**115**	**125**	**133**	**132**	**143**

Source| Kenya National Bureau of Statistics and Capital Markets Authority (2019)