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Review

Financial literacy for developing countries in Africa: *A* review of concept, significance and research opportunities

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The objective of this review article is to show the concepts and significance of financial literacy and how it can contribute to improving socio economic wellbeing, financial sector development, poverty reduction and sustainable growth in developing countries in Africa. The review covered recent literatures on financial literacy; both theoretical and empirical. The review showed that level of financial literacy is low both in developed and developing countries, but policy and academic response in developing countries in general and Africa in particular is at low level. The results of limited empirical studies implemented to evaluate financial education programs, including those in few African countries, showed that enhancing financial literacy and personal financial decision making capabilities of people would enhance the outcome of financial inclusion and other poverty reduction initiatives for the fact financially literate people can demand and properly use beneficial financial services such as savings, microcredit, insurance. Moreover, enhancing financial literacy is at the advantage of financial service providers and contributes to the development of a stable financial system, a sustainable economic growth. Thus, policy makers and academics in African developing countries need to understand the level of financial literacy in the population in order to devise suitable financial education and other related policy interventions to improve personal financial literacy for its benefits of enhancing individual socio economic welfare and building an inclusive financial system and sustainable economic growth.

Key words: Financial literacy, concept and significance, developing countries, African.

INTRODUCTION

The recent trend in finance and economics made financial knowledge not just convenience, but an essential survival tool because of the fact that lack of financial knowledge leads to poor financial choice and decisions, which could result in undesired financial and economic consequences to individual, financial system and entire economy. The importance of improving personal financial literacy of population, thus, become important concern in policy

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making, education and financial service industry both in developed and developing countries. The need for personal financial management has gained a surging popularity following the recent financial crises that showed that increasing complexity of financial system and clients' inability to cope with has been emerging as a challenge to well-functioning financial system (Zakaria and Sabri, 2013). Financial literacy has got an increasing interest in developed countries. Especially, the financial crises offered a lesson on how personal financial decisions in the mortgage market contributed to the crises and ability of individuals to withstand the shocks resulting from crises, which triggered renewed interest on financial literacy (Miller et al., 2009). The increasing complexity of financial markets (Miller et al., 2009; Nalini, 2011; Lusardi and Mitchell, 2013), increasing cost of life (McCarthy, 2011), the shift of retirement responsibility from government to individuals, which all demand personal financial management capability in individual and households, are among the frequently cited reasons underpinning enhance financial literacy enhancement initiatives in developed countries. On their recent paper Lusardi and Mitchell (2013) succinctly alluded that financial literacy is peoples' ability to process economic information and make informed decisions about financial planning, wealth accumulation, debt, and pensions which become increasingly important to enable individual and household to cope with the ever growing complexity of products and service in financial market. Miller et al. (2009) also considered financial literacy as an active process with two sequential outcomes. First, financial literacy imparts knowledge and skills that enable consumers to make financial decision to improve financial wellbeing. Consumer with financial knowledge and attitude to implement lesson learned from financial education will choose financial services and products that are at their best interest (Miller et al., 2009).

The concept of financial literacy suggests that financial literacy is a useful life skill in the modern financial world where people are responsible in their short term and long term financial decisions. It can also be viewed as a process where financial literacy acquired from formal and informal sources implanted in personal financial decision making process for optimal financial outcomes. Albeit financial literacy is important, low level of financial literacy/capability is common both in developed and developing countries (Nalini, 2011; Xu and Zia, 2012; Lusardi and Mitchell, 2013; Socol, 2014) denoting the need for financial education interventions. Survey of financial literacy studies across the globe by Xu and Zia (2012) also underscored lack of evidence on level of financial literacy in developing countries and financial education interventions despite financial literacy is equally important for both people in developed and developing countries.

The significance of enhancing financial literacy/capability of people in developing and low income countries (Holzman, 2010) and in Africa (Messy and Monticone, 2012) assumed potential benefits of enhancing individuals' welfare and soundness of entire economy. The observation on Xu and Zia (2012) also revealed recent modest recognition of financial literacy in developing countries, which showed promising outcomes of financial education and other interventions so far implemented. Nonetheless, few have been known about financial literacy level and financial education programs in least developing countries in Africa. Thus, the motivation in this paper is to provide a conceptual and empirical background of financial literacy within the context of developing countries in Africa. The paper hoped to contribute to development of financial literacy in developing countries in Africa by presenting compilation of theoretical underpinnings and empirical evidences, which could highlight potential research areas and policy issues.

The objectives of the study include the following:

1. To explore and describe the concept and significance of financial literacy for developing countries in Africa
2. To explore and describe financial literacy interventions and outcomes in LDCs in Africa
3. To identify potential research and policy issues

To address the stated objectives of the study, recent literatures on financial literacy and related issues from different parts of the world were collected, reviewed and discussed draw conclusion and directions for further research.

The following parts of the paper are organized as follows: the first section describes the concept and significances followed by financial literacy education interventions and the lessons. And Finally the last section presents discussion and conclusion.

THE CONCEPT AND SIGNIFICANCE OF FINANCIAL LITERACY

There is a rapidly growing scholarly, research, applied and policy literature that addresses financial literacy as a main topic in the general population' (Brascoupé and Weatherdon, 2013) for the fact that, survey results in most countries find low level of financial literacy has been hampering personal financial decision making abilities. The repercussions of poor personal financial decisions do not only reflect in individuals, but also affect normal operation of the financial system and overall economic stability of a nation.

The concept of financial literacy on various studies implemented both in developing and developed countries, given below, aimed at drawing commonalties that would help in developing the financial literacy studies and interventions applicable to the context of least developing countries.

The early definition by Noctor and et.al (1992) cited in Marcolin and Abraham (2006) point to financial literacy as the ability to make informed judgments and to take effective decisions regarding the use and management of money. Atkinson and Messy (2012) cited by OECD (2013) also defined financial literacy as, “a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.” (P.5) Lusardi and Mitchell (2013) also coined financial literacy as, “ability to process economic information and make informed decisions about financial planning, wealth accumulation, debt, and pensions.”

Onea and Dornean (2012) categorized different definitions given to financial literacy into “theoretical”, “applied” and “awareness”. They also studied how the two terms: “financial” and “literacy” are defined on various dictionaries. Based on their analysis, they formulated a study framework viewing that:

“Financial literacy implies a persons’ minimal knowledge about financial terms such as money, inflation, interest rate, credit and others, but besides this the abilities and skills of that person to use all this information in personal life, being aware about the consequences of its financial actions” (Onea and Dornean, 2012: p. 116).

Socol (2014) also analyzed meaning and concept of financial literacy and financial education on literatures covering a period 2005 to 2014. He pointed out that, the initial concept of financial literacy covers only knowledge and skill elements. Onea and Dornean (2012) understood these types of definitions as theoretical for their focus on what a person knows about finance. Socol (2014) learned that the initial concepts have been moving to include financial behavior and experience required for better outcome in financial decisions. These for Onea and Dornean (2012) were categorized as practical definitions, which are becoming popular after initial introduction on UK-Financial Service Authority (FSA) in 2006. This approach uses the term financial capability, which is broader than financial literacy used in early studies from USA and has been widely followed in most countries in Europe (Lusardi, 2012). Financial capability is gaining greater importance because of the fact it is a broad concept and assumed translation of knowledge into behavior and practices.

Financial literacy is a relative term and difficult to quantify for the fact that it depends on the financial system in which individuals and communities operate (Brascoupé and Weatherdon, 2013). Nevertheless, the surging literatures on personal finance shared the fact that an ever increasing complexity of financial market and sophisticated financial products made basic financial literacy, though all are not expected to be financial experts, important life skill for the fact *“…the common man finds it very difficult to take informed decisions”* (Nalini, 2011:p.192). Studies conducted in high income and developed countries underpin financial education programs aimed at overcoming repercussions of low level of financial literacy (Holzman, 2010). Few studies in developing countries also showed the level of financial literacy is even lower witnessing significance of personal financial education programs, but not yet considered in many countries (Xu and Zia, 2012).

In showing the fact, Xu and Zia (2012) on their paper, review of financial literacy across the globe, quoted survey results in sub-Saharan Africa that indicated that, *“……. a large proportion of the population in countries such as Mozambique, Malawi, and Nigeria lack awareness of basic financial products and concepts such as saving accounts, interest on savings, insurance, and loans* ”(p.9). Similarly, a FinScope Survey in Uganda pointed out that, an overall low level of financial literacy in the country, where majority of adults lack basic concepts of personal finance and unable to comprehend issues such as interest rate, discount rate, and money lending, hindered access to finance (Uganda FINSCOP Survey III, 2013). This shows the fact that low level of financial literacy is correlated with low level of financial inclusion in Africa. Through the correlation between financial literacy and socio-economic welfare improvement (Subha and Priya (2014), Fatoki and Oni (2014)) underpin financial education and other policy interventions in developed and high income countries; however, the case in developing countries (Holzman, 2010), including Africa (Kefela, 2011) has gained inadequate policy responses albeit surging number of empirical evidences. This showed the fact that improving financial literacy and financial capability benefits people both in developed and developing countries (Lusardi and Mitchel, 2011; Klapper et al., 2012; Kanpon et al., 2012); few from developing countries (Juen et al., 2013; Navickas et al., 2014), including those in Africa (Tustin, 2010; Sayinzoga et al. 2013; Cole et al., 2014). These evidenced that financial literacy correlates with financial behavior and financial outcomes.

Importance of financial literacy

Based on the review of financial literacy studies implemented in different parts of the world Capuano and Ramsey (2011) categorized various benefits of financial literacy into three main categories of beneficiaries: individuals, financial system and the economy, and the community. With respect to individuals, financial literacy has the flowing specific benefits:

1. Increased savings and retirement planning

2. More realistic assessments of financial knowledge by consumers
3. Life skills and bargaining power
4. *Financial efficiency*
(a).Lifetime utility and financial wellbeing
(b).Active debt management

1. *Activity in financial markets*
2. Investing and choosing the right financial products with confidence
3. Consumer rights and regulatory intervention

“The benefits of [financial literacy] to financial system and economy’ are:

1 *Greater competition, innovation and quality products*
(a) Market discipline
2 *Coverage of risk*
3 *Self-funding of retirement*
4 *Overcoming “pro cyclicality” in lending*

‘*the benefits to the community*” are also outlined as follows:

1. Financial inclusion
2. Understanding government financial policies
(Capuano and Ramsey, 2011: p.3).

Financially literate clients make optimal financial and economic decision including, savings, borrowing, investment as well as properly managing of daily money. Increasing number of empirical studies have also evidenced the role financial literacy plays in managing personal finance, both asset and liability. This is why financial literacy has become a policy concern in developed countries since the 1990s. Albeit the developing and low income countries are late in realizing financial literacy, the beginning in some countries evidenced the issue has become relevant policy concern in these countries too.
According to Miller et al. (2009), the relevance of financial literacy in developing countries where the financial sector has been involving new service providers, complex financial products and service offered to new consumers to financial market is paramount. Similarly, Gray et al. (2009) pointed out that,

“[…] *If improvement in financial literacy is needed in more developed contexts, it is even more critical for people living in the developing world in which the landscape of financial products and services is changing rapidly and people live more on the margin.*”

Developments in the financial sector of most developing countries, including Africa are continuously evolving and because of many factors, including, globalization, privatization, development in ICT and public policy initiative targeting poverty reduction through enhancing access to finance. Thus, basic knowledge in personal finance becomes an essential skill that people in developing countries need to acquire in order to gain from emerging developments in the financial world. In this regard, Nalini (2011) opined, ‘*Financial literacy is a primary step for financial inclusion which makes people seek and receive financial services and products’* (p.189).

The significances related to financial inclusion in developing countries are also pronounced by Gupta and Kaur who cited how the term is conceptualized by the Reserve Bank of India, which stated that:

“*Financial literacy creates awareness in common man regarding the financial products and services, thereby generating demand for the same. It makes them to understand the needs and benefits of the products and services offered by the banks and accelerate the pace of financial inclusion (RBI, 2013;* Gupta and Kaur, 2014: p.64)’’

Subha and Priya (2014) also argued the importance of financial literacy for developing countries in the following way,

‘*As many developing countries have a large number of their population engaged in agriculture, such communities are especially vulnerable to income shocks which result from weather risk and price volatility in the goods they produce. As such, savings can be critical in allowing households to smooth consumption and support longer-term investments in human and physical capital. The ability to understand the degree of different investments can dramatically change the financial well-being of an individual. Inflation risk is often substantial, and financial literacy is required to understand which assets provide protection against inflation. Similarly, a nuanced understanding of the importance of how the value of various assets correlates with each other can help households diversify risk efficiently’* (p. 402-403).

Most poverty ridden African developing countries, where high unemployment, low education enrolment, high vulnerability to various socio economic shocks which in most of the cases coupled with low rate of personal and national saving, daunting investment, employment and income generating activities, are taking policy measurers towards improving financial literacy leverage ongoing efforts to change existing socio economic realities in the content. This signifies that mainly the aforesaid benefits of financial literacy identified with respect to individuals, financial system, the economy and the community at large are related with the ongoing social and economic programs in most African countries. The roles that financial literacy is having in poverty reduction, financial inclusion, and financial sector stability in the context of developing countries in general and Africa in particular are presented below.

FINANCIAL LITERACY AND POVERTY REDUCTION

Poverty reductions programs that have been implemented in many countries exhibited some changes, but poverty still remained a challenge to many developing countries. There are evidences showing that lack of financial literacy in the population affected realization of poverty reduction and welfare improvement programs, which suggested the need for integrating personal financial education into poverty reduction programs, such as, microfinance and financial inclusion, entrepreneurship, income and employment creation, and other similar programs aimed at welfare enhancement (Engelbrecht, 2011). Building financial literacy and capability of citizens improves personal financial management, which in turn, will be manifested through better financial behavior and financial outcomes.

Personal financial management capability enables people to save for income and consumption smoothing in developing countries where people face various risk, including but not limited to price volatility of agricultural products, illness, death of bread winner, loss of jobs, retirement, posing significant income shocks for many. Financial literacy and its outcome on personal saving behavior also contribute to availability of investment fund at household and national level (Miller et al., 2009; Subha and Priya, 2014). The effect of financial literacy on enhanced saving and investment is significant. In line with this, Gine (2013) pointed, *"[i]ncomplete credit markets in developing countries force many to rely heavily on accumulating personal savings to finance investments. However, behavioral phenomena, such as self-control problems or limited aspirations may lead to suboptimal savings and underinvestment relative to desired levels*" (p.437). Empirical studies on behavioral finance, economics and psychology are suggesting that well designed financial education programs do not only impart financial literacy, but also contribute to improving financial behavior, such as enhancing self-control, preventing impulse purchasing and over borrowing on one hand, and improving financial planning and budgeting capability and saving habits.

Subha and Priya (2014) also pronounced that, financial literacy improves understanding of investment options which could reduce risk and optimize earning from meager financial resource of the poor in developing countries. Enhanced money and finance management capability also contribute to wealth accumulation (see for example: Caskey (2006), Behrman & et.al (2012), Sekita (2013)); and decrease over indebtedness resulting from informed use of selected beneficial financial services, and consumer finance schemes emerging in most developing countries.

Financial literacy education incorporated in poverty reduction programs "*seeks to strengthen and change behaviors that lead to increased incomes, better management and protection of scarce assets and effective use of financial services…*" (Microfinance Opportunities) (Gary et. al, 2009), Mundy and Masok (2011) also argued that financial literacy does not only help to achieve financial goal, but also help to improve programs in health, education and other social developments. Thus, building basic and applied financial literacy of citizens can leverage poverty reduction programs and ensure sustainable socio- economic growth.

FINANCIAL LITERACY AND FINANCIAL INCLUSION

Anecdotal evidences show that most people in developing country lack access to formal financial service. And this contributes to persistent poverty. Improving access to financial service, as part of the solution to poverty reduction in developing countries, has thus, become a global and national public policy concern (Gardeva and Rhyne, 2012). The ongoing effort to increase access to finance is termed as financial inclusion. Financial inclusion is the process of providing affordable and suitable financial service to the poor and underserved in order to ensure an inclusive economic growth and development. Chibba (2009) explained financial inclusion, "….*within the broader context of inclusive development, is viewed as an important means to tackle poverty and inequality, and to address the millennium development goals (MDGs).*

Financial inclusion policies implemented using different methods, such as: expanding commercial bank branches, mobile and internet banking, agent and correspondent banking (McKinsey and Company, 2010a cited in Hieltjes and Petrova, 2013); microfinance Institutions have been helping to reduce lack of access to and cost of formal financial service in developing countries. But large numbers of people are financially excluded, not only in remote and rural areas, but also in urban and semi-urban vicinities (Center for Financial inclusion Action, 2013). The case of financial exclusion is worse in some African countries; for example Hieltjes and Petrova (2013) cited Kendall et al. (2010) who *"conduct a comprehensive study of deposit account ownership and find that, out of the seven countries with less than 100 accounts per 1000 individuals, five are in [sub-Saharan Africa]"*. The status of financial inclusion in Africa studied by Demirgüç-Kunt and Klapper (2013) based on analysis of the Global Findex data also revealed that many adults in Africa are financially excluded albeit various effort are ongoing to increasing access to formal financial service. Hansen

(2013) also pointed financial exclusion is more austere in rural Africa which limits the growth of agricultural sector and the effect it could have on poverty reduction and economic growth. Some of the statics from Demirgüç-Kunt and Klapper (2013) below demonstrate the need for further action to improve financial inclusion in Africa:

1. "Overall 23% of adults have saving account at formal financial institutions. Of those having account in formal financial institutions majority "…….make deposits or withdrawals only one to two times in a typical month."
2. Worldwide 14% of account holders (and 7% of adults) use their account to receive remittances but in Africa this practice is reported by 41% of account holders (and 10% of adults)
3. The rate of origination of new loans—formal and informal—is relatively high in Africa with 44% of adults reporting having borrowed money in the past 12 months compared to 34% worldwide.
4. The use of insurance products remains also limited in Africa. Only 3% of adults in Africa report having personally paid for health insurance and only 6% of those who work in farming, forestry or fishing industries report having purchased crop, rainfall, or livestock insurance in the past 12 months.

As evidenced from the above result, basic formal financial services are not taken up and used in Africa despite the improved supply. Recent survey results (Fin Scope Survey III Uganda, 2013) and empirical evidences in Africa find financial literacy explains part of low demand for financial service and suggested to furthering financial education along other intervention strategies so as to enhance financial inclusion in developing countries (Cole et al., 2011; Sayinzoga et al. (2013). This is because of the fact, majority with low general education and financial literacy are not able to demand and use welfare improving financial products and services. Financial literacy, thus, is viewed by scholars and international organizations working in development finance as one of the pillars in financial inclusion (Chibba, 2009; Center for Financial Inclusion Action, 2013). Similarly, Nalini (2011) pointed that, '*[f]inancial literacy is a primary step for financial inclusion, which makes people to seek and receive financial services and products*' (p.190).

The need for integrating financial literacy and financial capability in different aspects of financial inclusion is pronounced at international policy advocating organization. This is evidenced from list of international forums, including the G 20 summit, cited on the Center for Financial Inclusion Action (2013). Papers from UNDP also stressed the role that financial literacy is having on financial inclusion, as read on the following excerpt:

"Literacy and Financial Literacy (FL), thus form the most integral part of the Financial Inclusion as, without knowing the fundamentals, the disadvantaged people can continue to be innocent, gullible and in some cases unknowingly irresponsible too. One of the primary objectives of Financial Literacy would be to help the disadvantaged practice thrift and induce them to save, access credit, use the funds to find a better livelihood, earn income and thus join the mainstream from exclusion" (United Nation Development Program India, 2012).

Although the growing access to financial service in least developing countries shown since the past few years has been improving the wellbeing of people in developing countries, it seems that there are challenges ahead for the fact that lower level of education and no prior experience with formal financial system among the poor limit their capacity of making optimal financial decision and using available financial services (Cole et al., 2012). The role of financial education in preparing the general population to cope with the emerging development in the financial system of developing countries (Shankari et al., 2014) and enhancing the outcomes of financial inclusion and inclusive finical sector development is paramount. Existing anecdotal and empirical evidences, though few and with mixed results, suggested that financial inclusion policies implemented in African countries, notably, MFIs, expansion of commercial bank branches, and technology driven product and distribution channel like mobile banking could leverage financial inclusion effort through a targeted client financial literacy education (Robert et al., 2013; Cole et al., 2014; Gine et al., 2014; Alex and Amos, 2014). The benefits of financial literacy to financial service providers and stability of a financial system are also important incentives to invest on financial education.

FINANCIAL LITERACY AND FINANCIAL SECTOR STABILITY

Mundy and Masok (2011) highlighted financial literacy is not only at the benefit of individuals, but also is at the best interest of financial service providers and soundness of the financial system. They recommend, on a consultative report, implementation of financial literacy policy in Uganda for the fact consumer with financial literacy can demand formal financial products, which in turn will reduce the cost financial service providers incur in acquiring new clients. Moreover, they pointed that, "*providers [of financial service] will have to spend less time explaining basic features of different types of products or services*."(p.19) Similarly, Mundy and Masok (2011: p.20) pronounced, "Increase in level of "*savings, increase in the take-up of financial product will stimulate economic activity. Further, it* can help to reduce indebtedness *levels and to take the poor out of poverty.*

[Similarly], if [people] are able to manage their personal finances, it is more likely that they will be able to run a business successfully. So, improvements in current levels of financial literacy should help to improve […..] economic performance."

Shankari et al. (2014) also indicated that, financially educated consumers encourage genuine competition by compelling service providers to innovate and improve efficiency, which is not only in the best interest of consumers, but also contributes to the development of financial system and sustainability of an economy. The outcomes of improved financial literacy would also help financial sector regulators. In this regard, Shankar et al. (2014) indicated that, financial literacy improves financial system regulatory mechanism, because of the fact that seeking and processing financial information by the common people reduces information asymmetry between financial service providers and client, which in turn, reduces market failure. From regulation point, Mundy and Masok (2011) also indicated that, financial literacy complements both prudential and financial consumer protection rules in finance sector while showing how financial literacy is linked to efficiency and effectiveness of financial system in developing countries. With respect to emerging and growing financial sector in most African countries; promoting financial literacy in the population should, and has been considered by policy makers in financial sector in order to ensure a well-functioning, inclusive and sustainable financial sector

FINANCIAL EDUCATION IN AFRICA

According to Messy and Monticone (2012), many countries in Africa showed interest in financial literacy education at a national policy level.

OECD (2005) defined financial education as the process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.

Messy and Monticone (2012) also added that, in the context of African countries where the Scholl enrolment ratio is relatively low, informal labor market and usage of informal financial service is high; and majority live under poverty, financial education can help to improve financial literacy and capability of people which in turn help to reduce the repercussions of low of financial literacy (Messy and Monticone (2012) and improve other welfare improvement programs (Engelbrecht (2011).

Promoting financial education in Africa could have a potential impact on poverty reduction and economic growth. Messy and Monticone (2012), on Africa, pointed out financial Education:

1. can help to reduce the demand-side barriers to financial inclusion
2. can empower consumers to better manage their personal and household resources, both on a day-to-day basis and over a long-term horizon
3. is relevant for the small-scale entrepreneurial activities that often constitute an important source of revenues for poor households
4. Improved financial literacy can potentially strengthen the efficiency of financial market

Stakeholders' role in promoting financial literacy education in developing countries

Mandelosn (2012/13) cited the role from various stakeholders in enhancing financial literacy in developing countries. Accordingly, government plays the leading role. The roles of government in developing countries include setting financial literacy policy and strategy, and organizing and coordinating other stakeholders for efficient and effective financial education at national level. Evidence of developing countries undertaking policy level initiatives indicates government agencies in the finance and education sector play an active role. Similarly, Ministry of Education and Schools, The Media, Information and Communication Technology sector can also play a vital role in promoting financial education in developing countries.

In support of the roles that government pays in promoting financial education RoaGracia (2011) cited different authors who identified publicly funded programs to design and implement financial education in different countries; "for example in United Kingdom (De Meza et al., 2008), in Mexico (Banamex and UNAM, 2008) and in the United States (Hung et al., 2009)."(p.9) similarly, Holzeman (2010) pointed out various government agencies created to work on financial literacy in developed countries. These include: New Zealand (Retirement Commission, 1995), United Kingdom (Financial Service Authority, 2000), Canada (Financial Consumer Agency, 2001), USA (Financial Literacy and Education Commission, 2003), and Australia (Financial Literacy Foundation, 2005, and since transferred to the Australian Securities and Investments Commission) (Holzeman, 2010).

Researches both survey based and experimental, including few recent studies in Africa, showed evidences supporting the growing interest to promote financial education should be emulated by more countries in developing countries (Xu and Zia, 2012), where majority lacks of basics of personal finance though they are currently dealing with emerging complexity in the financial world and are demanded to take more personal responsibility to their financial future. The need for financial education is not only for its economic effects, but also lack of financial education among the vulnerable groups could also produce negative consequences on health, general well-being and life satisfaction.((Kim et al. 2003); Xiao et al., 2009 cited by Roa Garcia, 2011).

At the policy level the case of India and South Africa are frequently cited on litterateurs. And analysis of the case in these counties can be taken as a lesson to other developing countries in Africa. The following section presents the case of South Africa.

The case of South Africa

South Africa is an emerging economy in Africa with a growing economy and financial system. The importance of financial literacy in South Africa that shared the nature of financial system of both developed and developing countries has gained appreciation. Especially, for most poor who were excluded from formal financial system and economy, improving financial education is imperative to enhance their personal financial management skill and ensure financial sustainability. The financial Sector Charter-FSC addressed the need to develop financial consumer literacy and identified financial institutions to play their role. In this regard, Tustin (2010) pointed that, the charter required financial institutions in South Africa to spend 0.2% of their annual post tax operating profits in consumer education aimed at capacitating consumer to make optimal personal financial decisions

Following the financial sector charter commitments various financial literacy programs have been introduced in SA (Tustin, 2010). Impact Assessment studies examining such programs also evidenced encouraging results. For instance, experimental study of Tustin (2010) implemented to evaluate the Bubomi financial literacy flagship program developed by Absa Group Limited, one of South Africa's largest financial service organizations, find that there are statically significant higher level of financial literacy of individuals who participated in the training in comparison with other people in the same vicinity without having similar training. This finding supports the need for proliferation of financial education by financial service providers. Experimental study by Cole et al. (2014) intended to answer how financial education affects financial knowledge, behavior and outcome in South Africa, also find that financial education has a positive effect on improving saving behavior, low interest for loan application and use higher purchase as consumer finance option. It was also found that financial literacy improved participants' awareness with respect to budgeting, saving and use of credit; as well as positively affects their attitude and perception, and confidence on the use of formal financial products. Yet financial education does not seem to have an effect on financial planning. Similarly there was no evidence on the link between financial literacy and improvement in wellbeing. The result by Cole et al. (2014) supports the underpinning of policies in South Africa that direct banks to engage in consumer financial education for the fact the financial education programs contributed for enhancement of financial behavior.

Both empirical studies on financial education programs by financial service providers in South Africa suggested improvement in financial literacy and financial behavior of clients. Albeit further studies are needed to be conclusive, the results from South Africa indicate other developing countries to follow a policy direction to engage financial service providers and other stakeholders in financial education. Few studies from other African countries also documented positive outcomes of financial education though no clear information on financial education policies adopted in the countries. For example: Sayinzoga et al. (2013) who administered an experiment of a two (2) weeks financial education to smallholder household in rural Ruanda indicated that compared to the base line results, financial literacy and financial behavior of individuals after training showed statistically and economically significant improvement. Moreover, the comparison of people in experimental and control groups also revealed that the training resulted in a statically significant result in enhancing savings, loan take-up and enhanced income generation activity startup, debt repayment.

Empirical studies in other African countries, though limited in number, also showed that offering finical education enhances financial literacy and behavior. Of these studies implemented in Kenya can be cited. For instance Alex and Amos (2014) surveyed commercial bank customer relationship officers at 36 bank branches in Nukuru, Kenya, to explore whether financial education of children and their parents/guardian affected children and youths' saving behavior. And the result showed that, majority of the customer relationship officer agreed that including financial literacy packages contributed to improvement in children and youths' saving accounts; suggesting financial education improves financial knowledge and management capability which will contribute to effective financial inclusion.

The experimental study of Gine et al. (2014), conducted to measure the direct impact and social network spillover of providing financial literacy and discount voucher on farmers' decision to purchase drought insurance in Kenya, indicated that financial literacy education improves financial decision making. In this case drought insurance take-up rate by farmers, when given to people in similar social groups, but the same was not true on other intervention (the discount voucher). Apart from showing positive effect of financial literacy, this study highlighted the fact that the designing and implementation of financial education in least developing countries in Africa where the social bondage are tight could have a better impact when members in the same social network similar targeted financial literacy contents.

Alabel (2013) evaluated a pilot financial literacy intervention given to a sample of 60 taxi drivers in Addis Ababa, Ethiopia; it has a positive effect of financial literacy education on saving behavior, in that participants were able to open and use a saving account after financial education given along with small amount of financial incentive provided for opening a saving account in the nearby commercial banks.

The above studies, though few, are showing suggestive evidence which advances the conclusion of Xu and Zia (2012) as the positive outcome of financial education based on few emerging empirical studies implemented in Africa. Nonetheless, it is not yet possible to generalize that financial literacy improves financial behavior in all the cases for the existences of some studies showing that financial literacy may not be translated into financial behavior. In other words, empirical evidences to data are mixed albeit increasing number of recent studies are favoring financial literacy and its positive outcomes. (ibid)

Of available studies in Africa countries, Robert et al (2013) who studied financial literacy and Microfinance Outreach in Uganda and found that client financial literacy and microfinance outreach are not significantly related. And Hieltjes and Patova (2013), who implemented a randomized control trial to examine the effect of financial literacy and transaction cost among low income people in central Ethiopia Zeway, find no significant effect of financial literacy training and financial awareness message on bank account uptake and usage. This suggests interventions other than financial literacy such as reduction in transaction cost may lead to increasing usage of financial service. This suggests that financial literacy improvement in developing countries has a mixed finding, so each country has to first study the level of financial literacy across different groups in the population and design a targeted financial education coupled with other interventions.

DISCUSSION AND CONCLUSION

A multitude of policy and programs have been implemented with a hope to reduce daunting poverty in Africa. And the review in this paper highlighted the role financial literacy education would play in poverty reduction and sustainable economic growth. It is advanced on the literature that improving level of financial literacy will possibly enhance outcomes of poverty reeducation and welfare improvement programs such as employment and income creation, entrepreneurship and small business development, food security, and others because of the fact financially literate individuals will better manage their personal finance. This will result in improved money management and financial planning; improved saving and debt management, financial security and sustainability.

The overall effect of enhanced individual financial literacy to the economy and society at large is also pronounced in the literature. A good financial literacy in the population positively impacted financial inclusion, which is off course a widely accepted poverty reduction strategy aimed at improving access to and usage of formal financial products: saving account, credit, money transfer, and insurance by those in viscous circle of poverty partly because of low access to financial products. Empirical literatures on financial inclusion identified various factors affecting financial inclusion in developing and low income countries. These, as per the review of Hieltjes and Petrova (2013) include: "*transaction costs, lack of trust and regulatory barriers, information and knowledge gaps, social constraints and behavioral biases."*

Well designed and targeted financial education programs, as learned in the review, can serve overcoming these barriers to accessing formal financial service. From the demand side financial education improves client financial knowledge, skill and confidence in seeking and using financial information. And this can address demand side problems, such as: lack of trust, information and knowledge gap, social constraints and behavioral biases. Similarly, the review highlighted how financial literacy help in overcoming supply side problems. For instance with respect regulatory barriers, reviewed literatures show that client with financial knowledge strengthen financial regulation by reducing information asymmetry between client and service providers. Moreover, financially literate clients are able to make a conscious choice of financial products to compel efficiency and effectiveness in financial service providers.

Optimal personal financial decision on saving, borrowing, investment and daily use of money also contribute to macroeconomic soundness by improving gross national saving cum investment. And reducing credit market imperfection, which all are typical challenges in most African countries.

Financial literacy becomes increasingly important for the economic wellbeing of the nation's future. Sarva (2014) also underscored the necessity and importance of financial literacy for the growth and inclusion. Arguing that better informed consumers make more effective choices and more appropriate decisions whereas financially illiterate individual either voluntarily do financial exclusion or will get the financial information from unreliable sources, the analysis of which may be resultant into the misallocation of his wealth which could also cause social decline and increase public expenditure. Building financial literacy of citizens should, thus, need to be considered important element of poverty reduction, welfare improvement and financial sector building strategies in developing countries. Despite the fact that financial literacy has potential significances for individual, financial sector development and stability of an economy of developing countries, the reported level of literacy, so far, is low, but financial education policies and strategies implemented as well as the effect are not well known albeit a high demand to personal finance education exist in most countries (Xu and Zia (2012).

The emerging positive outcomes of financial education implemented in African countries, though are few in number, are encourage to furthering of financial education in Africa. The review, in general, showed the need for financial literacy improvement in developing countries in general and Africa in particular to empower people in better using meager financial resource at their disposal in order to enhance financial security both at short and long term, on one hand, and contribute for the development of stable and inclusive financial sector by demanding and wisely selecting welfare improving financial products and services.

The review also suggested research areas in developing countries as follows:

1. Measuring level of financial literacy: Few have been known about financial literacy level of people in developing countries in Africa. Similarly national financial literacy policy and strategies are not common across the region. In the absence of baseline data about financial literacy level of people in different demographic and socio economic characteristics it is hardly possible to formulate and implement efficient and effective financial literacy policy and strategy. Thus, measuring level of financial literacy in the context of a particular country is paramount importance. Evidence on literature showed research departments at government agencies directly related to the topic, which may include, finance and economic development ministries, central banks and/or financial sector supervisory commissions, education ministries, and central statics agencies need to plan a national financial literacy survey. This can be done as a standalone survey or by adding financial literacy modules on other national surveys, such as income and expenditure survey, or others. A national level survey might be costly. Thus, linking financial literacy to other related national survey could be a possible option to obtain basic data with minimum cost. Similarly, evidence in other developing countries, such as India, Malaysia, and South Africa, provides lesson to academics and scholars to engage in small scale financial literacy survey which could give insight at least at local level. In general measuring level of financial literacy and describing across characteristics of the population will provide input to financial literacy intervention policy and strategy formulations.

2. Developing study framework and methodology in the context of a given country: The concept and significance of financial literacy are mostly similar for both developed and developing countries; but in developing countries, Holzman (2010) advised the need for considering unique features of developing countries implicated with personal finance. Thus, developing a study framework and instrument applicable to context of a particular country is also a potential research area which will facilitate better survey results through contextualized conceptualization of the construct, dimensions, and items, measures, scoring approach, analysis and interpretations.

3. Evaluation of financial literacy interventions: Socol (2014) opined after intensive review of literatures, that financial education has been consistently viewed as a process of imparting financial literacy which could be translated into financial behavior and experiences and is of high relevance in developing countries albeit link of causality between literacy and behavior are open to research. Thus, rigor empirical research for evaluating impact would be high practical and policy value of discerning cost efficient and effective policy and programs sustainably propagated, is another potential research area. Existing impact evaluation studies show a mixed result with respect to causality between improved level of financial literacy and financial behavior. And impacts financial literacy interventions having on individual welfare and performance of financial institutions are not yet documented (Mandelos, 2012/13). Thus, it would be of high academic and policy relevance to design impact evaluation studies to measure their ultimate impact on individual and financial institutions.

Conflict of Interests

The author has not declared any conflict of interests.

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