

C – B Analysis on the Impact of improving Consumer Financial Education

Regulated firms

	Impact	Comments
Costs	Higher	
One-off	=	No one-off investment has to be done
Operational	=	
Infrastructure	=	
On going		
Human resources	=	Banks and other financial institutions will need to involve some of their staff in consumer financial education program/actions. At the same time, time spent with selling or recovery activities might decrease following a higher level of financial literacy. The 2 impacts might offset.
Other expenses	+	Financial institutions will spend money with leaflets or with posting information on websites or with publishing articles.
Benefits	Higher	
Additional products / additional business	+	By getting more knowledge on financial products and services, consumers might have a higher demand for these.
Cost saving / + revenues	+	A higher demand of financial products and services will bring more revenues for offering institutions. At the same time, the default cases in lending could decrease due to a better planning and understanding of the indebtedness implications.
Equity relief	=	No effect
Total impact	Higher benefits than additional costs	The benefits brought by a better financial education is exceeding the additional costs

Consumers

	Impact	Comments
Costs	Lower	
Higher risks	-	A better understanding of the financial products would help consumers make more informed decisions and thus being more protected against risks.
Higher prices	-	By building up a better knowledge on financial products and services, consumers would be

		more able to understand and compare different offers and make a better choice in respect of prices too.
Lower quality of service	-	Better consumers' knowledge would determine financial institutions to come with more competitive offers, in respect of quality service too.
Benefits	Higher	
Better choice	+	Higher level of financial literacy will allow more informed choices.
Price reduction	+	The effect of financial education to competition amongst financial institutions would be also a reduction in the prices.
Improved access	+	It is likely that a better information and understanding of financial products will improve consumers' access to them.
Total impact	Lower costs and higher benefits	

Authorities

	Impact	Comments
Costs	Higher	
One-off		
On going	+	
Direct	+	The staff and cost of different programs/actions for consumer financial education
Indirect		
Benefits	Higher	
Statutory goals	+	Financial stability, economic growth and public welfare are served by improving consumer financial education.
Increase income to state budget	+	Higher revenues of the financial institutions could determine an increase of the taxes collected by the state budget.
Others		
Total impact	Higher benefits than additional costs	

Summary of CBA of the improvement in Consumer Financial Education

Stakeholders	Costs	Benefits	Total
Regulated firms	Higher	Higher	Higher benefits than additional costs
Consumers	Lower	Higher	Lower costs and higher benefits
Authorities	Higher	Higher	Higher benefits than additional costs
Overall economy			Net benefits

Legend: + increase

- decrease

= no effect