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**The relationship between financial capability, financial competence and household
economic wellbeing in rural Fijian households in Naitisiri Province, Fiji**

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Abstract

The study examined the use of money by households in a monetising rural Fijian community, and developed and tested a model of financial competence, bringing together previously disparate strands in the literature to better explain the relationship between the financial competence of those who make financial decisions on behalf of the household and the economic wellbeing of the household. Ex post facto field experiment methodology was used, with control and treatment groups sampled from villages in Naitisiri Province, Fiji that had participated in a financial capability development intervention comprising a financial literacy training workshop and a rural banking service.

The study found evidence of a positive relationship between villagers' levels of functional literacy and their levels of financial knowledge and skill and financial inclusion (as measured by ownership of a bank account). Evidence was also found to indicate a positive relationship between villagers' levels of financial knowledge and skill and financial inclusion, and their level of competent financial behaviour. This relationship appears to be moderated by villagers' attitude to money. Men generally evidenced greater financial knowledge and skill than women, but lower levels of competent financial behaviour. Evidence of a positive relationship between the economic wellbeing of the household and the level of competent financial behaviour of the household's principal financial decision makers was also found.

The findings of the study have implications for policy. Low levels of functional literacy may lead to self-exclusion from financial capability development initiatives which may impede engagement with the formal financial system. The study found evidence to support Robinson's (2001, 2002) argument that the extension of existing institutional retail financial services is likely to be more successful in reducing levels of financial exclusion than the promotion of poverty-lending based microfinance schemes. The findings also suggest accurate targeting of training programmes to enhance financial knowledge and skill is required.

There is a requirement for further research to validate the theoretical model and determine modalities for extending the competency approach to international development in a wider range of contexts. Within the context of Pacific Island States, there is a requirement for base-line studies of financial competence.

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