Use evidence-based approach to boost financial literacy

FROM **KWAN JIN YAO**

I refer to the report "VWO adopts evidence-based practice for debt programme" (April 25).

The evidence-based pilot programme by the Methodist Welfare Services (MWS) to help low-income households clear their debts sets a good precedent for other voluntary welfare organisations (VWOs) to track the efficacy of their endeavours.

The finding that "there was not enough evidence to suggest that the programme had worked", though, could suggest the need to increase financial literacy beyond the reactive debt management, for instance, offered by many VWOs now.

In the past, helping families increase their net worth by an average of S$2,500 would have been hailed as an achievement. But increased rigour in assessment — for example, through performance measurement and management, wherein data is captured and checked — would hold VWOs to higher standards and allow them to ascertain the true impact of their efforts.

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What the MWS did was to conduct a counterfactual study of a control group of households that did not enjoy the VWO's matched debt payment, to determine whether families can be encouraged to clear portions of their debt through a copayment initiative.

Such research can now be facilitated more actively by the new Social Service Research Centre at the National University of Singapore, exposing more social work practitioners and policymakers to these methods.

As stakeholders figure out which strategies work, against a backdrop of broader socio-economic challenges in future, the right schemes can be designed for low-income workers and their families. In this vein, the need for financial literacy will come under the spotlight. Besides the Monetary Authority of Singapore's National Financial Literacy Survey in 2005, there has been no comprehensive undertaking to assess knowledge in financial matters, especially across different quintiles.

Programmes and policies thus far, such as the one by the MWS, are often premised upon alleviation, after debts have mounted, when in fact prevention should feature more prominently.

Considering the broader indicators of inflationary pressures or inequities, gaps in understanding could be plugged through education and keener guidance.

Have tax incentives for MNCs paid off?

FROM **KONG PIH SHU**

While I was reading a report on BHP Billiton contesting its tax bill in Australia, one sentence that caught my attention was that between 2006 and 2014, its Singapore marketing business earned profits of US$5.7 billion (S$7.6 billion), from which it paid only US$121,000 in taxes to the Republic.

The firm said in its response to an Australian Senate inquiry that it was granted a tax incentive by the Singapore Government for its contributions to our commodities sector.

The question is what benefits have such companies brought to Singapore? How much have they directly contributed to the development of the commodity sector? How many Singaporeans have they trained in the sector and who are still employed in the industry fruitfully? How many professional, executive, managerial and technician positions do Singaporeans hold in the company?

Have the authorities done "post-mortems" of such incentives given to foreign companies, and whether they achieved the intended objectives? How many tax incentives have been granted and are such grants sustainable? The relevant authorities should address these questions.

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