

EXAMPLES OF GOOD PRACTICE IN FINANCIAL EDUCATION

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Abstract

Financial Education is a topical issue for the Romanian society as well, as the globalisation manifested in the economical field has generated a diversification of services and financial products, a matter which calls for the diversification of knowledge in this area.

The increasing importance of the subject of financial education is due to the fact that a higher level of financial education increases the level of savings. Based on these considerations, the present study aims to highlight some examples of societies where the level of financial education is raised by the qualitative research of specialty papers, reports and studies in this field.

Keywords: *financial education, savings, financial literacy, skills*

Jel Classification:

Introduction

The year 2005 brings a definition of the term „financial education” as issued by OECD (2015), namely the process by which consumers/ financial investors develop a level of understanding of financial products, concepts and risks, and through specific actions of informing, training and/ or counselling, manage to develop the skills and the confidence necessary to become more aware of financial risks and opportunities, to be able to make conscious choices, to know where to ask for help and take other effective actions to improve their financial well-being. The term ”financial education” takes into consideration three elements: competence, information and education regarding money management, assets, investments and insurance; understanding the concepts of money and assets management; the ability to use these concepts when planning, implementing and evaluating financial decisions.

2. The research stage

The relationship between financial education and economy has undergone numerous studies in the literature of specialty. Thus, it shows that the level of financial education influences the population’s decision of saving in order to ensure a decent pension (Lusardi, 2003) because when reaching it, people have a low saving level (Lusardi, 2004).

Bernheim and Garrett (2003) show that a high level of financial education can be correlated with the existence of a predisposition for saving. Fox J. et al (2005) points out that the Americans have a high level of debt, low saving rates and a high level of bankruptcies being the result of a low level of financial education. According to these facts, financial education takes into account any program that provides the knowledge, attitude and/or individual behaviour in relation to financial concepts.

Furthermore, Lusardi and Mitchell (2007) show that there is a low level of consumer information regarding financial instruments, which is actually quite serious since they cannot make informed choices, they cannot make conscious decisions, for example to identify the most suitable products which could ensure welfare at the age of retirement. The study conducted by Lusardi and Mitchell identified as vulnerable the categories of people who have low income, low education or come from disadvantaged groups.

In 2008, the ONU General Secretary considered that public authorities, communities, associations and international organizations should be more interested in increasing the degree

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of understanding regarding financial education, thus, the population to have the necessary knowledge, abilities and competences for any financial problem and furthermore to adopt the best decisions. According to OECD, financial education generates economic growth due to the existence of financial services which have higher quality but also due to the growth of the individual abilities to use these services in order to satisfy personal interests. It is believed that there have been several factors which made it possible to increase interest in financial education, among which we can mention:

- The growth and development of financial markets, deregulation, globalization and technological progress manifested in these markets-elements which have generated the variation of financial instruments;

- The increased risks due to transfer of ownership;

- The development of emerging economies;

At the level of OECD, 2003 marks the start of financial education programs, resulting in achieving throughout 2005 certain principles regarding financial education, whose goal was to assist authorities to create and implement financial education programs.

3. Examples of good practice on financial education in the global economy

The 2008 UN meeting was a good opportunity for some participating countries to provide examples of good practice. I have chosen to present some of them as they can be multiplied in Romania as well, taking into consideration the fact that the new curriculum contains such elements.

The study “*Financial Capability in the UK: Establishing a Baseline*” conducted by interviewing 5300 people in 2006 in the UK, resulted in achieving strategies that had in view 10 million people who, in the following 5 years had to become better informed, educated and confident in their own strengths, in order to take more responsibility regarding financial affairs and also to play a greater part in financial services. Achieving this challenge meant the allocation of £ 90 million by 2011, on the following levels:

- Learning Money Matters – a program for teachers which was applied in England, Scotland, Northern Ireland and Wales;

- Money for Life – a program that included elements of financial education in the curriculum;

- Money Doctors – a program created for university education;

- Young People and Money – a program that offered training courses for organizations which had as target NEETS people; etc.

It can be seen that the program has been designed to target different social classes but the information was meant to reach everyone concerned. The program contained elements to educate parents or future parents: Parent’s Guide to Money; dedicated directly to consumers through the website *MoneyMadedclear* and to non-profit organizations: Partnership Development. All of these were backed by guides which were provided to consumers for free, materials and seminars for employees in UK (*Making the Most of Your Money* program).

At present, FSA has become FCA (Financial Conduct Authority) which governs the industry of financial services in UK and PRA, part of the Bank of England, which is responsible with the development of prudential rules and supervision of banks, insurance companies, credit units and investment companies.

Australia is an example of good practice in the field of financial literacy, being among the first countries to create a national strategy in this field. The concerns regarding financial literacy began in 2004, when the Australian Government created a working group that had as purpose to achieve a program through which people would acquire the skills they needed to adopt more appropriate financial decisions. In 2005 the Financial Literacy Foundation FLF was created as part of the Australian Treasury. Furthermore, in 2006, FLF initiated a

professional development strategy (the Professional Learning Strategy), that aimed to develop the teachers' skills and values, which were needed in order for them to be involved in financial literacy programs in schools. The strategy started to be implemented in 2008. In the same year, ASIC, Australian Securities and Investment Commission had the responsibility to manage financial literacy issues. ASIC'S program, MoneySmart Teaching Program, which was based on the National Strategy for Financial Literacy, aimed to improve the teachers' ability to deliver financial education programs.

Between 2014 and 2017, the main strategic priorities of this strategy were the following (ASIC, 2014):

A. Targets for individuals, families and community:

1. Educating future generations through formal education;
2. Increasing the use of information, tools and resources freely and in a fair manner;
3. Providing quality guidance and support;

B. Strands dealing with support programs and specific policies:

1. Improve effective partnerships;
2. Improve systems concerned with research, measurement and the evaluation of the phenomenon known as financial literacy;
3. Evaluating the achievement of these objectives involved defining specific indicators:

Objective 1

- The number of students involved in the process of financial education;
- The number of teachers participating in the professional development program

ASIC'S Money Smart Teaching;

- The number of VET people who participated in financial education programs;

Objective 2

- The number of people who visited the ASIC'S MoneySmart website and read the printed materials;

- The number of people who used other sources for free and impartial information;

- The existence of positive changes in the financial area proven by research and evaluation studies which were carried out;

Objective 3

- The number of people counselled by national guidance and support programs;
- Feedback on counselling and support;
- The existence of a better situation regarding the level of financial education of the people counselled, proven through research and evaluation;

The Australian experience generated an orientation of efforts concentrated to achieve a relevant analysis on the concrete realization of financial education programs in schools. Start Smart is a program meant to develop financial skills for students of 12 years old or less but also for students from vocational educational establishments.

The programs which were created throughout this program are organized as workshops and aim to modify the target group's attitude and knowledge, thus to make them understand the relevant concepts and also the efficiency and confidence needed in order to achieve the desired results and induce an appropriate behaviour.

From an evolutionary point of view, the program begins in 2007, having as target groups children aged 9-12 and expands in 2010, as a result of its success to primary school. In 2012, START Smart is developed with Pathways and it is destined to people with ages between 18 and 25.

The year 2016 represents for START Smart the progress of 19000 workshops in over 2000 schools for about 540,000 students. These results make SMART Start be considered the largest financial education program in the world.

BE CLEVER WITH YOUR COINS is intended for primary school pupils (up to 6 years old) and it is organized and structured as follows:

Year 1

In this step, students learn about money as a concept, therefore, they learn about coins and banknotes, how to recognize Australian currency, methods to insure money safety, the difference between need and want and how to use money as currency for goods and services.

Year 2

The program, organized as a game continues with the so called space school mission through which students, by using addition and subtraction, buy supplies for Space School. Workshops are focused on acquiring skills to count money, developing abilities to create connections between addition and subtraction, the most complete expression of needs and desires, exploration of ideas, characteristics and norms in a community.

Year 3

Activities conducted under the name Coach Cash are organized so students become “cashletes”, thus to develop financial skills by taking decisions of correct saving. The exercises performed enable students to acquire knowledge and skills regarding credit and debit cards, to acquire abilities of spending by analyzing prices and to maximize savings.

Year 4

Workshops are dedicated to strengthening and developing the concepts of savings, credit cards and expenses. This stage uses concepts such as monetary value, simple accounting transactions, solving problems regarding purchases and budget items.

Year 5

The program organizes activities aimed at acquiring skills for creative and smart saving. In an equal manner, it is aimed to develop the students’ ability to achieve short and medium term vision regarding their money.

Year 6

Workshops are intended to develop students’ creativity in identifying the most appropriate ways to achieve financial objectives. By organizing school events, students manage a budget and find new sources of funding.

The program continues with BE CONFIDENT WITH CASH for pupils aged 7-12 and it is organized on two levels:

- 7-8 years old: the program organizes activities through which children learn to become more financially responsible, understand the difference between need and wants, identify the elements that influence personal expenses but also elements of intrinsic motivation that affect financial decisions.
- 9-12 years old: workshops focused on concepts of earning, saving, spending, investment, enterprise. Students also find out about the first job, employment rights and responsibilities, salaries, taxes, saving value, setting goals for savings, bank accounts, saving strategies, the value of investments, shares, financial market, basics of pension management and employee rights, small businesses in Australia, the way to generate a business idea, market needs and costs to start a new business.

BE CONFIDENT WITH YOUR CASH is designed as an interactive learning experience that aims to increase the students’ confidence in the ability to adopt sound financial decisions. Students in vocational schools went through the financial education program START SMART PATHWAYS that targeted 330,000 people and ended on 30th June 2018.

In 2017 the Start Smart report demonstrates the program’s effectiveness in the sense that the number of participants reached 574,246 students from 2048 schools. The report also shows that 62% of all those who participated in the program, applied, in different situations what they had learnt, the application being made within six weeks from the time of completion.

Moreover, from 2007 to 2017, 2.560.182 students registered as participants. In the United States, the organization known as FLEC (The Financial Literacy and Education Commission) was created. This entity is composed of 23 entities supporting the federal government in an effort to improve financial literacy. Developing a strategy is generated by the observation according to which Americans experienced higher stress levels after the economic crisis triggered in 2008 as a result of financial elements. Furthermore, in the USA, 1 in 5 families registers spending levels higher than income levels.

These elements have generated the development of a national strategy since 2011, which had the following objectives:

1. Improve access to financial education and its level of perception;
2. Establish and integrate financial skills;
3. Infrastructure development on financial literacy;
4. Identify, improve and disseminate examples of good practice;

Year 2016 brings improvements on strategies by focusing on youth, therefore the program Starting Early was created. This program recognizes the need to develop the financial capacity of young people.

In Europe, the Financial Education study-National Strategies in Europe, carried out by European Money Week provides an accurate picture of the actors involved in financial education across Europe.

The analysis conducted in this research stopped on Romania's neighbouring countries and on those which could be considered examples of good practice. For example, in Austria, the main actors involved in raising financial education are: the government – through Fit for Money, a program dedicated to young people aged 10-18 and through the television show Spanfroh TV, in partnership with Austria Bank, which promotes financial education for children and students; The National Bank of Austria, that made the educational package Schulkoffer, containing books, records and short movies on financial literacy offered free of charge to schools the so called Eurokids tour package, destined to all students from elementary school. In 2014, the National Bank of Austria organized activities for students aged 13-14 once a week. The Austrians did not include elements of financial education into the curriculum.

Bulgaria- The data provided by the European Money Week study, conducted in 2015, indicate a lack of a national strategy on financial literacy. In 2012, FSC (Financial Supervision Commission), together with the High School of Insurance and Finance and the Ministry of Education, Youth and Science conducted a 2 day training stage on financial education. In 2013, FSC also created a website dedicated to financial literacy. Other actors involved in financial education in Bulgaria are: banks which created dictionaries, training programs and NGOs such as Junior Achievement and Financial Literacy Initiative Foundation.

In the Czech Republic, the strategy regarding financial education defines financial literacy as an accumulation of knowledge and skills that enable the individual to ensure his and his family's welfare. Financial literacy gives people the opportunity to have sufficient financial information which allows them to take appropriate decisions regarding budget. The study conducted by Opletalova A. (2014) on financial education in the Czech Republic shows that people did not focus enough on financial education in schools because teachers did not have the necessary skills to teach it at an academic level. Furthermore, the study shows that 73% of the teachers, who participated in the study, underwent a financial education course in the last 12 months.

A fundamental development of financial education was to transform the financial competence into a mandatory part of primary education from 1st September 2013. However, financial literacy is not usually a separate course but it is incorporated in Social Studies and

Citizenship Education. Mathematics is conducted through projects, part of these courses' curriculum. The training form and allocation of hours remain voluntary. Some primary schools allocated to financial education only 10 hours during the four years in which students receive higher education.

4. Conclusions

The financial phenomenon is extremely diverse and diversified which implies the existence of appropriate expertise, adapted to new economic realities. The data published by Standard & Poors shows that Romania occupied, in 2016 the last place regarding financial education in Europe and that only 21% of the population has knowledge on financial education, fact that makes it more necessary to develop contents which could be easily communicated and understood by young people and not only, as to give them an opportunity to make decisions in full knowledge of facts. The examples presented throughout this article can be used to develop a strategy which can involve different social classes.

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