

Financial Education at School: Challenge and Opportunity



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GIEF: Research Group on Financial Education

Financial Education Project . OECD 2003	Its objective was to identify financial education programmes and analyse their effectiveness.
Study on Financial Education. OECD 2005	Incorporation of principles and good practices for financial education.
Communiqué from the European Commission 2007	Recommendations to governments on financial education

EUROPEAN COMMISSION: Principles and good practice in financial education

Principle 1: ACTIVE PROMOTION AND AVAILABILITY in ALL stages of life.

Principle 2: PRIOR RESEARCH on citizens' current levels of financial literacy, to detect which particular problems need to be addressed.

Principle 3: Consumers must receive financial education AS SOON AS POSSIBLE, BEGINNING AT SCHOOL. National authorities must STUDY THE POSSIBILITY of making financial education a COMPULSORY part of study programmes.

Principle 4: Financial education plans must include general instruments to raise awareness of the need to IMPROVE UNDERSTANDING OF FINANCIAL PROBLEMS AND RISKS.

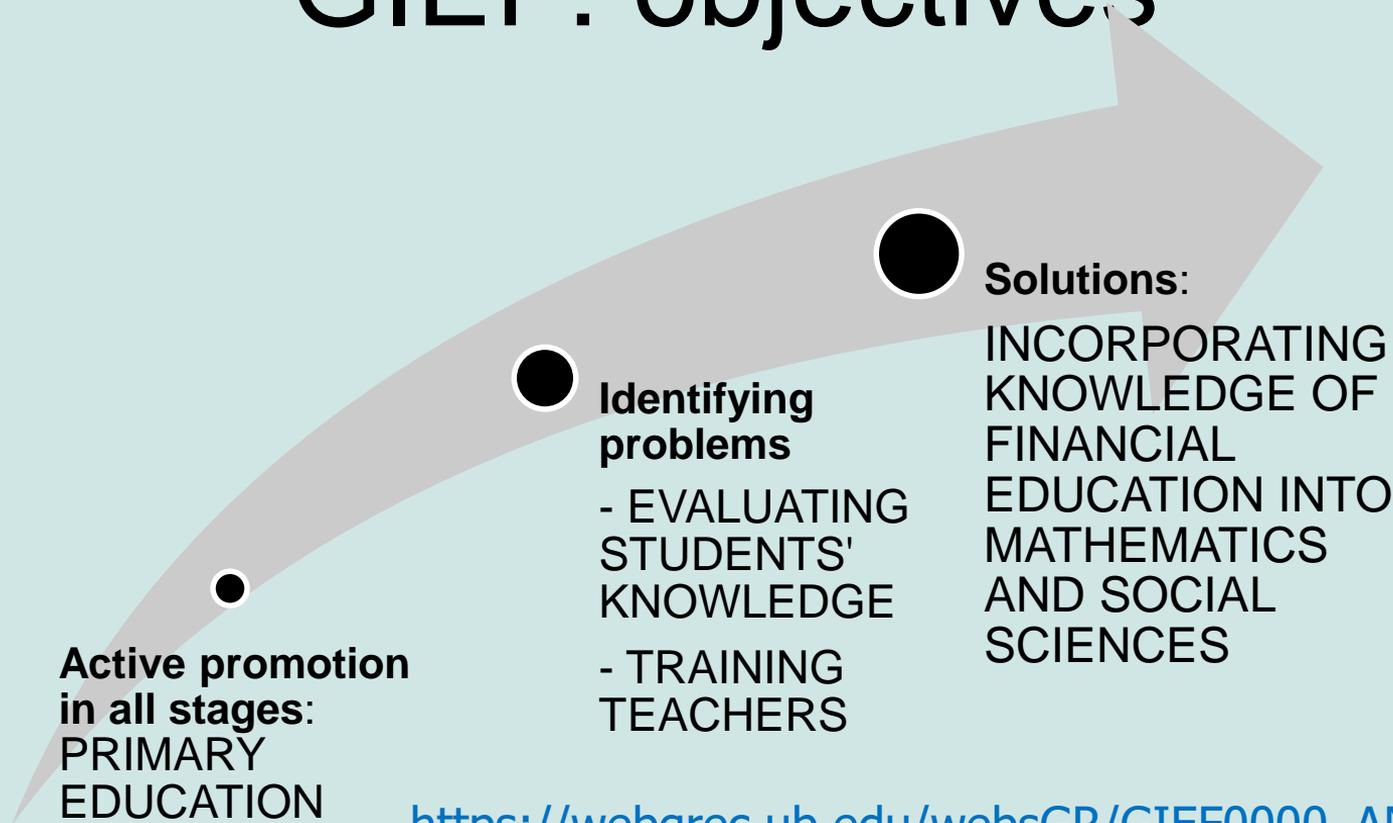
Principle 5: The financial education delivered by providers of financial services must be EQUITABLE, TRANSPARENT AND IMPARTIAL. Care must be taken to ensure that this education always favours the interests of consumers.

Principle 6: INSTRUCTORS in this field must have suitable TRAINING and RESOURCES to teach financial education confidently and successfully.

Principle 7: National COORDINATION must be promoted and international COOPERATION strengthened.

Principle 8: Financial-education providers must regularly EVALUATE and, when necessary, update their programmes to match best practice in the field.

GIEF: objectives



https://webgrec.ub.edu/websGR/GIEF0000_ANG.html

Financial Education at School: Challenge and Opportunity

- Introduction: Financial Literacy in Spanish Education.
- The Data: Survey Description
- Results and Interpretation
- Conclusions

Financial education in Spain

<p>1st National Plan of Financial Education 2008-12 (Secondary School)</p>	<p>Developed by the CNMV and the Banco de España, its aim was to improve financial literacy.</p>
<p>2nd National Plan of Financial Education 2013-17 (Secondary School)</p>	<p>Developed by the CNMV and the Banco de España, it aims to modify citizens' attitudes and help them to adopt rational behaviour in their financial dealings. Coordinate efforts.</p> <p>Evaluation: Non-conclusive, specific differences between students who have taken the course and those who have not.</p>
<p>LOMCE Law on Education (Primary School)</p>	<p>Inclusion of financial education in the curriculum of Primary Education in the area of Social Sciences. Objective: gain awareness of the value of money through responsible CONSUMPTION and SAVING. (differentiates between types of spending, makes plans based on savings)</p>
<p>AUTONOMOUS COMMUNITY INITIATIVES (Secondary School)</p>	<p>Catalonia (EFEC), Andalusia...</p>
<p>PRIVATE INITIATIVES</p>	<p>BBVA, Santander, La Caixa, Mapfre, etc.</p>

Questionnaire for university students: the sample

THE SAMPLE (2014-15)

Primary Education-3rd year	32
ADE 1	63
Primary Education-4th year	19
RRL1 1	63
TOTAL	177

The public university system in Catalonia

	Total public universities, Catalonia	%UB	%UAB
2011-2012	103,160	32%	21%
2012-13	127,690	32%	22%
2013-14	141,550	31%	22%
2014-15	147,344	31%	22%
2015-16	148,823	30%	22%

Students enrolled on official bachelor's degrees at public universities. Barcelona Province = 120,888
Data: 2014-15 Idescat.

WHAT DID YOU LEARN ABOUT FINANCE IN PRIMARY SCHOOL?

money/banks/ mathematics= **44%**

WHERE DID YOU LEARN WHAT YOU KNOW ABOUT FINANCE?

FAMILY=>11%

SCHOOL=>3%

UPPER SECONDARY=>**56%**

BY MYSELF /DAY BY DAY /WORK/ MEDIA =>**28%**

DK / NA=>2%

The Questionnaire

Money and transactions, planning and management of finances, risk and benefit, and financial panorama

- Definitions:

Money

Credit

Saving

Investment

Consumption

Interest rate

Inflation

Inequality

- Three big question: interest rates, inflation and risk

(Lusardi, A., Mitchell, O.S., 2011)

- Financial education

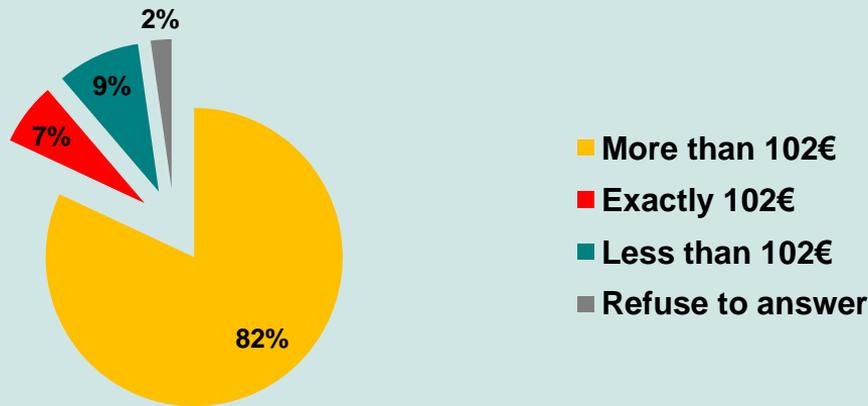
- Newspaper report on a topic related to finance

Definitions

Term	Accepted definition	Correct	
Money	Functions of money: (observed correct: <u>medium of exchange and unit of account</u> ; not store of value)	125	71%
Credit	<u>Asking for money from the bank</u> (only 3 talk about trust)	66	37%
Saving	<u>Keeping for the future</u> (few see the <u>difference between income and spending</u>)	123	69%
Investment	<u>Benefit in the future*</u> (confusing it with saving). Few mentions of the concept of <u>risk</u> (3)	112	63%
Consumption	<u>Buying things and spending money</u> (confusion with use of goods and services)	146	82%
Interest rate	Only 10 identify it with the " <u>price of money</u> ", though 60 more pick up on the idea	70	40%
Inflation	<u>Rise in prices</u> (some identify causes)	118	67%

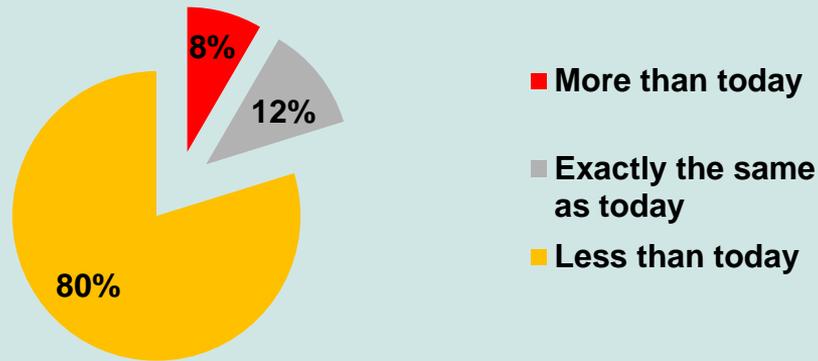
Interest rates

- Suppose you put 100 Euros into a savings account and the annual interest rate is 2%. In 5 years, how much money will you have in your account?



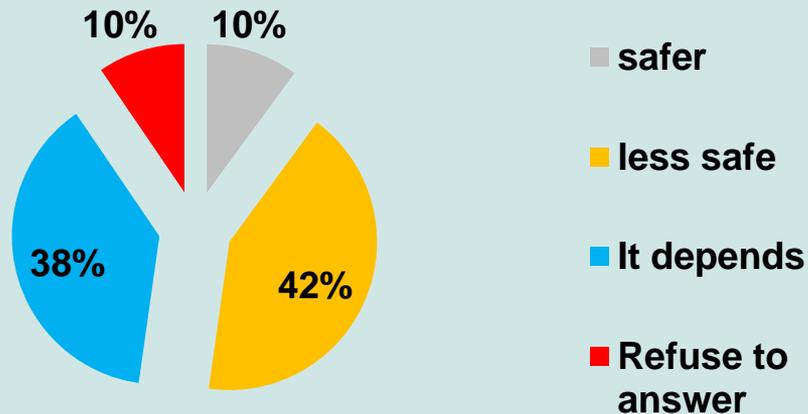
Inflation

- Imagine the interest rate for your savings account is 1% annually and inflation is 2% annually. In a year's time, what can you buy with the money in your account?



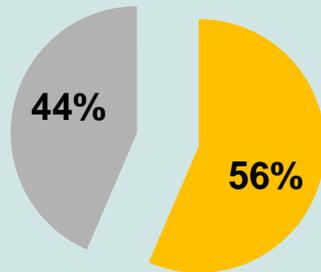
Risk

- Suppose you buy a share in a company and a Treasury bill that you keep until it expires. What profitability will the share give you compared to the Treasury bill?



Interest rates+ Inflation+ Risk

- CORRECT ANSWERS TO ALL 3



■ Correct three questions ■ No correct three

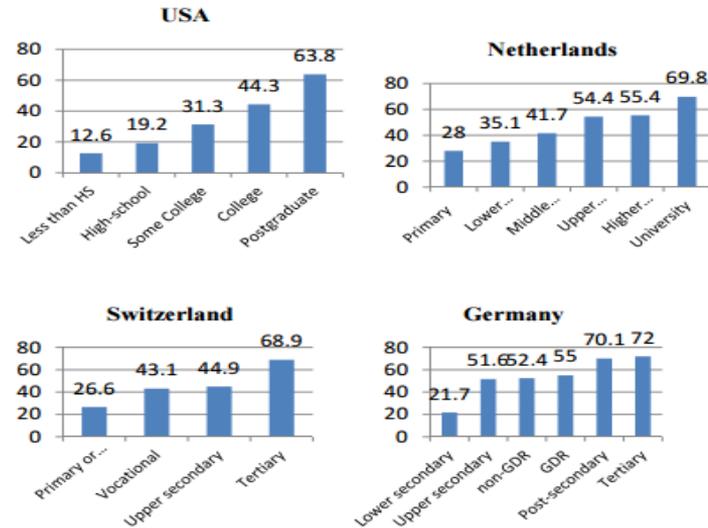
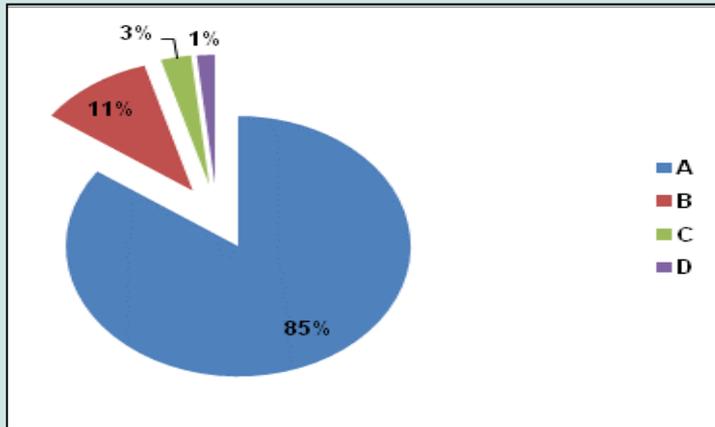


Figure 1: Financial Literacy by Education: % providing correct answers to all three financial literacy questions

Source: Lusardi and Mitchell (2014).

Concept of Financial Education



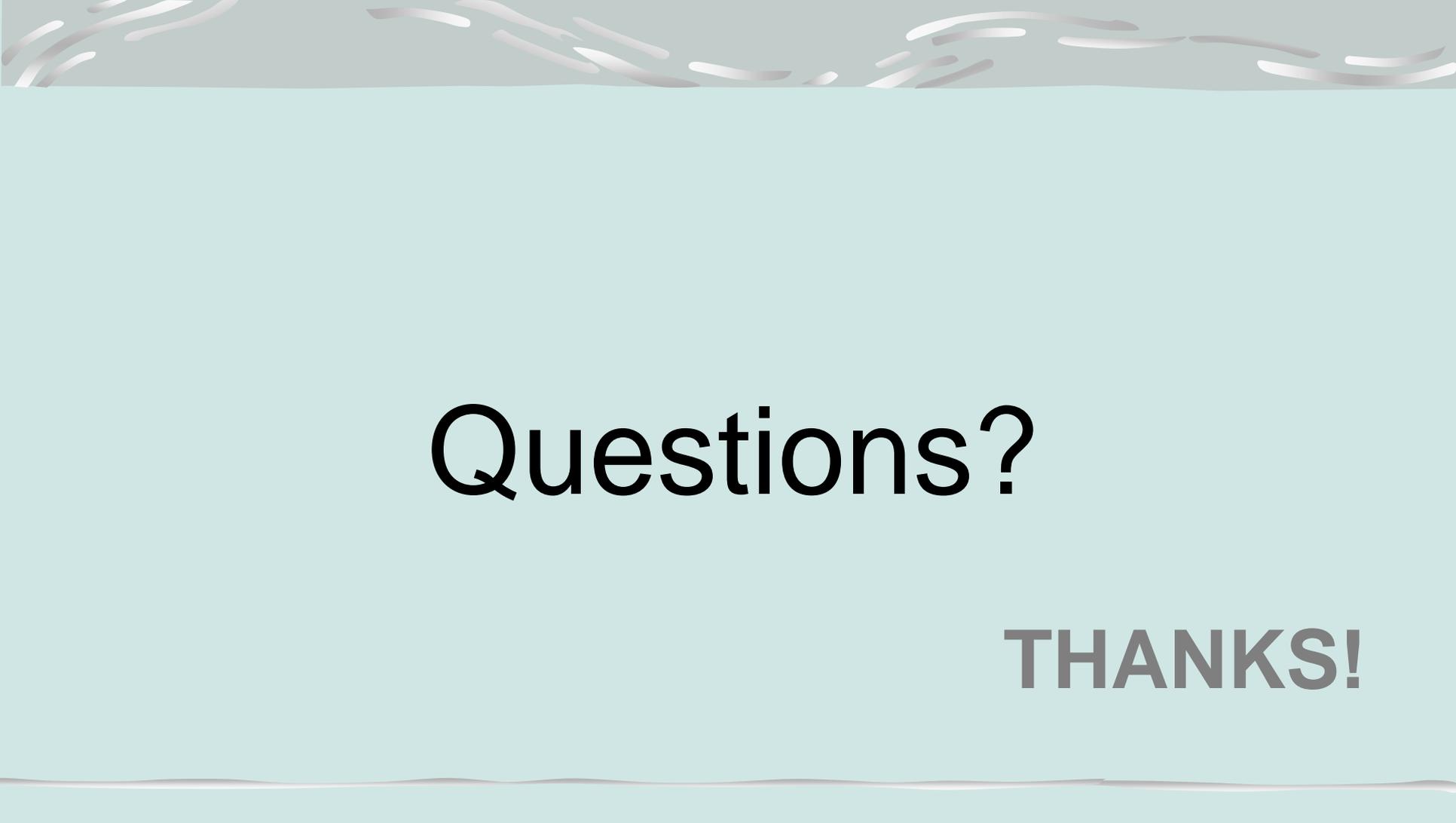
OCDE	A	Process by which individuals gain a greater understanding of financial concepts and products and develop the habits needed to take informed decisions, assess financial risks and opportunities, and improve their well-being.
LITERACY	B	Ability to use financial knowledge and skills to manage available economic resources effectively in order to achieve well-being in life.
FINANCIAL KNOWLEDGE	C	A specific form of knowledge and the ability to use it in practice. It is sometimes evaluated by the perceptions individuals have of their own knowledge.
DK / NA	D	No reply made

Objectives of Financial Education

1	Know what money, credit cards, cheques, bank accounts, etc. are. And know the implications of their use.
2	Be able to plan your own finances over the long term so as to have resources to fall back on.
3	Know and exercise our economic rights.
4	Be responsible consumers who take into account their own needs and the social and environmental impact of their decisions.
5	Have autonomy to take decisions on the family budget.
6	Know at all times whether it is better to save or invest in order to be economically autonomous.
7	Know how banks and other financial organisations work and know the implications of working with them.
8	Know the mechanisms of bank credit to take on risks when getting into debt.
9	Know how salaries lose or gain purchasing power.
10	Have initiative to make investments and be entrepreneurial .

Conclusions

- **Money** is identified as a medium of exchange and/or a unit of account. But not as store of value. Further study should be made of the implications of this when working on **saving**.
- There are signs of difficulty in interpreting the **interest rate** as the price of money.
- The concept of **expense** does not seem to be totally clear. **Investment** is identified rather as a **saving**. Though it seems that investment is clearly seen to imply a **benefit**, it is not so clearly seen that it also implies a **risk**.
- The relationship established in **credit** between debtors and creditors does not seem, in the light of the answers, to be based on **trust**. The concept of trust in the financial world is not dealt with in the students' answers.
- The students show awareness of the importance of **financial education** in their preparation for life. Most acknowledge that their sources of knowledge are **informal** (family, media, friends or work).



Questions?

THANKS!