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Global financial literacy in the Australian context

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Now more than ever, teaching and learning in financial literacy needs to respond to the current world economic climate and the stresses created by the global financial crisis. This study provided the opportunity to examine the resources and capabilities necessary to teach financial literacy with a global perspective and a critical focus. Young people today vitally need the essential skills and abilities to manage money and plan for their financial future. Many young people do not have the vital skills needed to be able to cope with earning an income.

Already existing resources focus on the functional skills associated with financial literacy, and tend to take more of a micro-level personal finance view. This study expanded on these by locating financial literacy within a global perspective, and by incorporating essential financial perspectives.

Australian and overseas indicators show that financial literacy among students and adults is currently abysmally low.[[1]](#footnote-1) Financial literacy can be integrated into secondary education in a manner that is inclusive and relevant to all students. This study tour enabled the furthering of the integration of pedagogy and critical literacy and lifelong learning skills.

In 2009, the OECD announced that a financial literacy component will be included in the 2012 [Programme for International Student Assessment](http://www.oecd.org/daf/fin/financial-education/oecdpisafinancialliteracyassessment.htm) (PISA), highlighting the critical importance attached to financial literacy education and the importance of enabling teachers in this area. Recent literature outlines the importance of the development of financial capability in the Australian public, in particular with reference to the concept of Freire’s critical literacy approach (Landvogt, 2006)[[2]](#footnote-2). Financial capability has an important role to play in the enabling of inclusion for all in our egalitarian society.

By researching ‘best practice’ in global approaches to current financial literacy initiative, the Australian context has been enriched and improved. This is of particular importance with reference to the current development of the Australian curriculum.[[3]](#footnote-3)

This study tour engaged with global approaches to the teaching of critical financial literacy in the specific areas of international investor education and financial education through participation in a number of Conferences. I attended the OECD International Conference on Investor Education: “Investor education: towards a more inclusive and secure financial world”. This included sessions on the policy framework for investor education; how an educated investor is a better-protected consumer; widening the impact of investor education; the role of public‐private partnerships in education; and how to integrate investor education initiatives into national financial education agendas. I also participated in a workshop on the delivery of an efficient investor education programme. I attended the OECD International Conference on Financial Education: “Challenges Ahead: Turning Policy Guidance into Efficient Practices”. This included sessions on global financial literacy; technology and financial education; financial education programmes; teacher training and how to make financial education work in schools; conflicts of interest when the private sector is involved in financial education; and combining financial consumer protection with education to support household financial well-being. I also participated in a workshop on the challenges of implementing financial literacy education in schools.

The OECD’s mission is to promote policies that improve the economic and social well-being of people around the world. The OECD set up the [International Network on Financial Education](http://www.oecd.org/daf/financialmarketsinsuranceandpensions/financialeducation/evaluatingfinancialeducationprogrammes.htm) (INFE) in 2008. It is a network of public experts on financial education.

In engaging with members of this collective, I learnt about the many global concerns. Just to give you an indication of some of the statistics that we discussed: in South Africa, 15 % of young adults cannot divide 1000 RAND equally between 5 people; in the United States, 27% of young adults know what inflation is; in the United Kingdom, 52% of teenagers are in debt by the age of 17; and in Demark 73% of young adults have no or little knowledge of interest rates. INFE stated that financial literacy is a core life skill, which should start while people are young and still at school. Its guidelines provide that: financial education should be part of a coordinated national strategy; there should be a financial literacy learning framework; financial education should be sustainably resourced; that it should be a core part of the school curriculum; teachers should receive ongoing support and training to teach financial literacy; and that student progress should be assessed in financial literacy.

The context that global financial literacy works within is globalisation, and issues related to emerging economies in developing countries were covered in great detail at these conferences. Within this globalisation context, there are differences in the approach of countries to financial literacy education. I will overview the differences, and then examine relevant case studies.

The main areas of difference that are observable are that many countries of the world have brand new or emerging financial markets and stock exchanges. I believe that this is an element of the OECD’s awareness of the new need for financial education. I spoke to delegates from eastern bloc countries where financial markets had only been set up in the last five years. The global financial crisis is mentioned often! Many nations believe that as the economic environment improves, this means ensuring investors are confident to invest. Investors are very worried, in Hong Kong for example investors and gamblers are both called ‘punters’. The GFC affected people’s nest eggs and globally savings are not keeping up with inflation. There is a crisis of confidence, for investors who are asking how they can protect themselves? (Or how can institutions protect investors…?) There is a growing awareness of the need to include all nations and a desire to have a functioning global market. Products are growing more and more complex – investors need simple information. Consumers in developing countries are sceptical. In market economies, consumers no longer protected against making bad financial decisions. Many are unprepared for increased responsibility to insure their own futures; this is due to the problem of lack of financial literacy. Fraudulent bankruptcies and pyramid schemes mean that we distrust toward all financial intermediaries. People may not see a point in obtaining knowledge about consumer rights, if they do not believe in government institutions as their advocates. Then of course we have had a global financial crisis.

These differences need to be taken into account when examining the approach of different nations to the teaching of financial literacy.

Education systems around the world approach the concern of financial and consumer and investor education in many varying perspectives. Some do not recognise it, and some have only just begun progress toward it for their students in schools. The cultural setting and beliefs are very different. For me, the differences are not actually about global financial markets coming together, they are issues of equity and fairness. Issues explored and case studies discussed with delegates were:

In India

Rationale for developing investor education initiatives:

• large number of retail investors in capital market,

• useful for disclosure regime,

• complex products,

• inadequate retirement benefits,

• “nation of savers, need to convert savers into investors

* becoming one of the worlds largest economies

Complex and troubled financial landscape:

• financial product

• lack of consumer knowledge

• financial global, but regulation is local

• technological advancement

• cannot be left to market

• investor due diligence

The approach in India for investor education is that of the existing and potential investors. Not the mere provision of information, outreach programme. Train the trainer. Go to the investors all over country. There are multiple languages and many groups: Middle income, homemakers, executives, college student, school students.

In the United States of America

Why investor education:

• Novice investors

• Complex products

• Low confidence in market

• Individuals in charge

Regulators rely on investors - “An educated investor is the best defence against financial fraud.” Need investors to report problems, their complaints are often the first sign of fraud.

Why investor education makes sense:

• Investors choose legitimate companies.

• Markets gain depth and liquidity.

• Businesses and jobs grow.

• Regulators get tips on fraud.

However, the focus is: the role of the public in uncovering fraud.

In Malaysia

• Needing self discipline,

• Needing awareness

• Not always having the right mindset

Government role as:

• Separating victims and scammers

• Resourcing

• Projecting investors

• Finding investor accountable

Thus, it is important to educate the consumer however they must take own due diligence, monitor their own finances and deal with qualified professionals

In Turkey

Real estate and gold are the dominant investment instruments. Very small financial markets - room for Turkish financial markets to grow. Need for policies to promote long term savings and improve deepening of the financial markets

Women have been identified as being marginalised:

Women (mainly housewives):

• 62 % do not regularly save from household income

• 52% of the ones who indicated saving money do not make capital market investments

• 72 % use credit cards

• 85% do not consider themselves knowledgeable about capital markets

• Gold is the most trusted investment instrument (46%)

 The aim and focus is to

• Enhance investor base –for a developing market economy to have a market!

• Increase innovation, competition and efficiency in markets

• Improve financial stability and welfare of individuals

Problems for Government are with investors only holding stock for the short term, when property and gold are seen as better investments because of their physical existence, plus belief in cash deposits.

There has been a questioning of the traditional approach to financial education which is about investor education independent of other government goals, rather paternalistic, has moral hazard, the financial institutions with no role, too many retail investors and no focus on behavioural risk.

Changes that we argued are needed in financial literacy education are wide ranging and varied and complex. For example education as integral, not as isolated, linking investor education and consumer education, involving everyone such as regulators, markets, governments, financial institutions and more, also there is a push for the responsibility of the individual – for their own decisions, their own savings, their own superannuation etc.

Here I want to briefly pick up the themes of globalisation, human capital and preparation of citizens for the world of work, all of which were themes permeating through many of the presentations.

The OECDs world view is one of:

• Educating consumers and investors

• Enabling markets

• Developing emerging economies

• Human capital

• Preparation for work.

In Australia, this has been interpreted as increasing comparisons between countries, hence more accountability requirements – leading to the implementation of the PISA Financial literacy assessment. The OECD is testing 15 year-olds on their knowledge of personal finances and ability to apply it to their financial problems. The results will be published in the next PISA study. Sixty-five countries or regions are taking part in this PISA test which will be focusing on testing mathematics literacy. Students from 18 of these countries will also tackle problems related to financial literacy: Australia, Belgium (Flemish Community), Shanghai-China, Colombia, Croatia, Czech Republic, Estonia, France, Israel, Italy, Latvia, New Zealand, Poland, Russia, Slovak Republic, Slovenia, Spain and United States. Aspects of financial literacy that will be tested include: dealing with bank accounts and credit/debit cards; planning and managing finances; understanding taxes and savings; risk and rewards; consumer rights and responsibilities in financial contracts.

I have gained valuable knowledge about preparation for the PISA 2012 Financial Literacy testing, and have studied the PISA Financial Literacy Framework along with educators from around the world. I now understand how the INFE Publication on Financial Education in Schools can be used as guidance in the preparation of Commerce and Business studies syllabi. I have gained knowledge of financial literacy pedagogical material that had been developed by educators from around the world.

Given this global perspective of the purposes of assessment of consumer and financial literacy, let us now turn to consider our curriculum. Time has been taken to apply this global perspective and the knowledge from so many different countries to investigate how consumer and financial literacy is viewed in Australia. Firstly, the [National Consumer and Financial Literacy Framework](https://financialcapability.gov.au/), which is one starting point for the national Economics and Business curriculum and then the new Economics and Business curriculum. These assume that when the student is analysing a financial decision they can write down strategies, get social support, and critically reflect. A marginalised student might not be able to do this. Research shows students will often have the correct attitudes, but this is not necessarily then brought out in their behaviours as responsible financial consumers. To reach our marginalised teenagers it is most important to understand people’s emotional driver. This then makes the implementation of programmes much easier. Young people are a marginalised group in many ways and a number of marginalised groups were compared in these conferences.

Valuable insights

Teaching financial literacy presents challenges in reaching out to the marginalised students, who may come from a multitude of cultural backgrounds. Different countries have completely different cultural and other beliefs about the approach that should be taken. Involving local interest groups and encouraging the cultural mentors to be a part has been very successful in New Zealand and should potentially be a programme to encourage here.

Teacher training is very important. In Australia, the MoneySmart website will have all the online training resources required to prepare students for the PISA test, by the end of this year. In Australia there will be a MoneySmart week with 4 streams: awards, community events, schools, workplaces. It is not a problem of resources, it is a question of how you frame the information you provide, from whose perspective is it being presented. I encourage you to critically consider what and why. .

Young people in Australia must be equipped with these essential life skills. It is needed to face the complexities of the economic and social world. We must meet the unique needs of the culturally diverse student body. We are also under the pressure that comes from accountability to the external PISA testing regime. To give financial literacy a place in the curriculum will be a better one for all.

 “curriculum is inescapably about ideas and values… it is tied up with visions of the purposes of schools, hopes for the young people who go there, beliefs about what foundations matter and about how learning and development… might be nurtured – these… are subject to change and are not uniform throughout Australia”

(Yates, Collins and O’Connor, 2011).

1. OECD (2009), *Education at a Glance*, OECD Indicators 2009. [↑](#footnote-ref-1)
2. Landvogt, K. (2006). *Critical Financial Capability*, Financial Literacy Banking and Identity Conference, RMIT, 25026 October [↑](#footnote-ref-2)
3. McGaw, B. (2007, 1 August). Resourced for a world of difference, *The Australian*, p.25 [↑](#footnote-ref-3)