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*National Strategies for Financial Education
– the concept and first experiences in the world*

Narodowe strategie edukacji finansowej – koncepcja oraz pierwsze doświadczenia na świecie

Key words: financial education, financial awareness, national strategies for financial education**Słowa kluczowe:** edukacja finansowa, wiedza finansowa, narodowe strategie edukacji finansowej**Introduction**

The dynamic development of financial markets, including the increasing complexity of financial instruments, investment ideas and investment strategies doesn't go hand in hand with financial education of societies. There have been many studies, whose results confirm the low level of financial literacy of consumers in the world. These results are also confirmed by OECD/INFE pilot study undertaken in 14 countries.

Table 1. Correct responses to financial knowledge questions

| Country/ area of knowledge | Division | Time value of money | Interest paid on loan | Calculation of interest plus principle | Compound interest and correct answer to previous question | Risk and return | Definition of inflation | Diversification |
|----------------------------|----------|---------------------|-----------------------|--|---|-----------------|-------------------------|-----------------|
| Albania | 89% | 61% | x | 40% | 10% | 77% | 81% | 93% |
| Armenia | 86% | 63% | 87% | 53% | 18% | 67% | 57% | 59% |
| Czech Republic | 93% | 80% | 88% | 60% | 32% | 81% | 70% | 54% |

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|----------------------------|----------|---------------------|-----------------------|--|---|-----------------|-------------------------|-----------------|
| Estonia | 93% | 86% | 84% | 64% | 31% | 72% | 85% | 57% |
| Germany | 84% | 61% | 88% | 64% | 47% | 79% | 87% | 60% |
| Hungary | 96% | 78% | 95% | 61% | 46% | 86% | 91% | 61% |
| Ireland | 93% | 58% | 88% | 76% | 29% | 84% | 88% | 47% |
| Malaysia | 93% | 62% | 93% | 54% | 30% | 82% | 74% | 43% |
| Norway | 61% | 87% | 61% | 75% | 54% | 18% | 68% | 51% |
| Peru | 90% | 63% | x | 40% | 14% | 69% | 86% | 51% |
| Poland | 91% | 77% | 85% | 60% | 27% | 48% | 80% | 55% |
| South Africa | 79% | 49% | 65% | 44% | 21% | 73% | 78% | 48% |
| UK | 76% | 61% | 90% | 61% | 37% | 77% | 94% | 55% |
| BVI | 84% | 74% | 60% | 63% | 20% | 83% | 87% | 41% |

Source: Atkinson A. and F. Messy, *Measuring Financial Literacy: Results of the ECD / International Network on Financial Education (INFE) Pilot Study*, OECD Working Papers on Finance, Insurance and Private Pensions, No. 15, OECD Publishing, 2012, p. 7.

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The lack of financial education of societies influences unfavourably both the wellbeing of households as well as national and global economy. It should be stressed that a certain level of financial literacy is necessary for citizens' full participation in society. There are also observed trends of increasing the transfer of responsibility for personal finance to individual households on financial markets. As a consequence, many societies have to take on more risks for which they are not well prepared.

From the economy's point of view the insufficient financial literacy is a big barrier to economic growth, both nationally and globally.

The deficiency of financial literacy should be complemented but current conditions (e.g. globalization of financial market) and earlier uncoordinated actions in many countries show, that it should be a process which will be planned and integrated on national and international level. One of the serious solutions proposed by the OECD is the developing of national strategies on financial education in particular countries.

1. Idea of National Strategies for Financial Education – definition and scope

The idea of national strategies for financial education (National Strategies or NS) appeared in 2003. Development and promotion of National Strategies at the global level were a consequence of the launching by OECD its international programme on

financial education in that year. OECD called on national governments to prepare proper regulations to help to develop NS in their countries.

The OECD has prepared many publications (guidelines) on financial education, which can be used while developing NS, e.g. *Improving Financial Literacy* (2005)¹ and some recommendations on principles and good practices for: financial education and awareness (2005)², relating to private pension (2008)³, for enhanced risk awareness and education on insurance issues (2008)⁴, for financial education on credit (2009)⁵ as well as *High-level Principles on the Evaluation of Financial Education Programmes and Dedicated Guides on Evaluation* (2012)⁶ and *Guidelines for Financial Education in Schools* (2012)⁷.

A national strategy for financial education is a nationally co-ordinated approach to financial education that consists of an adapted framework or programme. Each NS should:

- Recognise the importance of financial education and defines its meaning and scope at the national level in relation to identified national needs and gaps;
- Involve the cooperation of different stakeholders as well as the identification of a national leader or co-ordinating body;
- Establish a plan of acting to achieve specific and predetermined purposes in the given time;
- Provide guidance to individual programmes on how they can efficiently and appropriately support and contribute to the strategy⁸.

The aim of NSs are promoting the financial literacy to provide sustained financial well-being for individuals and families in particular countries. These documents should set strategic direction for policy, education, practice, research, and coordination in the area of financial literacy.

Many countries in the world are working on developing their national strategies for financial education because in many countries financial education is one of the priorities of the governments. But it must be noted that not all countries (OECD members) have received support from the governments or heads of state to implement the idea and develop the financial education (especially NS).

Content of national strategies for financial education should include:

¹ *Improving Financial Literacy. Analysis of Issues and Policies*, OECD Publishing, December 2005, p. 178.

² <http://www.oecd.org/finance/financial-education/35108560.pdf>

³ <http://www.oecd.org/finance/private-pensions/40537843.pdf>

⁴ <http://www.oecd.org/insurance/insurance/40537762.pdf>

⁵ http://www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/sporocila/oeecd/02_-_OECD_PRAKSE_krediti_ENG.pdf

⁶ http://www.oecd.org/finance/financial-education/OECD_INFE_High_Level_Principles_National_Strategies_Financial_Education_APEC.pdf

⁷ <http://www.oecd.org/finance/financial-education/48493142.pdf>

⁸ *OECD/INFE High-level Principles on National Strategies for Financial Education*, Organisation for Economic Co-operation and Development, Paris, August 2012, p. 7.

- Introduction and background of individual country related to global situation. In this part of the NS the following should be presented: basic economic, financial and demographic data about the country related to financial education which justify its importance, list of main benefits of developing national strategy on financial education, key components of financial education and consumer protection efforts and vision, mission, aims, strategic action plan and stakeholders;
- Presentation and evaluation of the necessity of financial education. This section required for example: results of research on financial education in individual country in comparison to other countries (assessment of financial education level, previous efforts in the field of financial education, etc.). On this basis the identification of main needs and gaps in financial education should be made.
- Policy design realized by the National Strategy. This is a very important component of each NS. It should include: main assumptions about e.g. the minimum substantial scope of education, target groups – on which the NS will be further developed. The integral issue on this part of NS should be focused on education for the actual and potential investors securities market and on education for financial illiterates. Very important is also specification of delivery channels for financial education (e.g.: school curriculum, social marketing, microfinance institutions, self help groups, integrated communication channels, help lines, and the others).
- Institutional Arrangement taking into account the requirement of cooperation between national public and private stakeholders and guidance for them.

2. Guidelines for developing national strategies for financial education

Experiences of countries which started developing national strategies allow one to define guidelines for this process. It is suggested that National Strategies should develop with special emphasis on:

- National and international cooperation;
- The importance of leadership;
- The necessity of preparatory surveys;
- The necessity of planning and developing the programs for target groups;
- Selection of optimal channels to access to target group;
- Looking for funding;
- Evaluation of the National Strategies.

The effective development of National Strategies could only be a result of collective efforts.

National Strategies need to be centrally coordinated (by public body) and should rely on cooperation between national public and private stakeholders including the central and state (local) governments, financial regulators, financial institutions, civil society, educationists and others. Although the scope of NS concerns problems,

objectives and actions on national level, their development and realization require international cooperation.

Process of globalization on financial market causes economies and financial systems to become increasingly interdependent and low levels of financial literacy is a global issue. It is necessary to ensure the coherent approach to this problem to provide the communities in different countries the same chance in access to financial education and further use it in safe and effective saving and investment processes. Cooperation should enable transfer of knowledge, transfer of norms and transfer of verified solutions.

The importance of leadership it is also emphasized. On the national level the solutions in this issue are different in the particular countries. The leader of development of NS could be e.g. relevant ministries or regulatory authorities. However, activities on an international level in the field of financial education (especially in developing of NS) are coordinated by the OECD and its International Network on Financial Education (INFE)⁹. There is another context of “the leadership” of National Strategies. Just these strategies should become the main guideline to conduct all processes that concern financial education.

National Strategies should be based on evidence that allows priorities to identify the real needs of the individual target groups. Results of research should take into account national circumstances.

The results and their analysis should be the basis to determine specific needs of various social groups. The target groups could be defined by age, life situation, sex (e.g. school children, young adults, university students, families, employees, consumers experiencing financial difficulties, women, etc.). A part from various needs of these target groups the National Strategy should also take into account appropriate channels and methods to reach them. All those issues should be an element of detailed multi-annual plan, which clearly states the targets and ways to achieve them.

The first experiences of countries in which financial education was treated very seriously by governments and where many various surveys were conducted show, that the best results in financial education are provided by face-to-face training. This includes teaching in schools, workshops in work places and others where there is direct contact with a trainer¹⁰. Attention is also drawn to possibilities of using technology as well as the mass media and print. All these channels could be used, although each of them has advantages and disadvantages.

A very important problem in the development and implementation of National Strategies are the financial possibilities of the country. Financing sources can be both public and private. The more financial resources, the more effective financial

⁹ OECD/INFE comprises representatives from over 100 economies, including all G20 members and the most important international organisations.

¹⁰ *First Meeting of the Expert Group on Financial Education, National Strategies for Financial Education*, Report, 7th October 2008, Brussels, European Commission, p. 6.

education could be. However, positive results require not only the money but also a good and effective idea,

The diversity of details of National Strategies in particular countries shows different approaches to financial education in the country (e.g., different main targets, different stakeholders and leaders, different channels to reach target groups, the different ways to win the money for financing, etc). On the other hand, each National Strategy should be individual and tailored to conditions and circumstances in the country (e.g. of economic demographic and technologic).

3. The first experiences in developing of National Strategies

Existing experiences confirm that the development of National Strategies is very complicated. Simultaneous cooperation on national and international level is a major and difficult challenge. Each stage of development and implementation of NS is very important for the others.

The stage of implementation of National Strategies for financial education is different in many countries. There are two categories of country:

- Countries that have designed and implemented NS are: Australia (2011), Brazil (2010), Czech Republic (2006/2010), Ghana (2009), India (2006/2010), Ireland (2009), Japan (2005), Malaysia (2003), Netherlands (2008), New Zealand (2008, 2010), Portugal (2011), Slovenia (2011), Spain (2008), United Kingdom (2003), United States (2006, 2011).
- Countries that are considering and/or designing a NS but not yet implemented it belong: Canada, Colombia, Estonia, Indonesia, Kenya, Latvia, Lebanon, Malawi, Mexico, Peru, Poland, Romania, Serbia, South Africa, Sweden, Tanzania, Turkey, Uganda, Russian Federation, Thailand, Zambia.¹¹ Some of them are actually at an advanced design phase and are not far from the implementation (e.g. Columbia and Canada).

There are a lot of problems and obstacles in developing of NS in many countries. The main of them are: the lack of resources, the difficulty of identifying a leader, difficulties of agreeing on main purposes and content of NS, gathering all stakeholders around common and the most important objectives and the communication between stakeholders, maintaining long-term involvement all participants of developing NS and steady commitment and efficiency in the operational phase.

Results of research conducted in countries that have already implemented a national strategy show that the main common goals are¹²:

¹¹ A. Grifoni, F.A. Messy, *Current Status of National Strategies for Financial Education, OECD Working Papers on Finance, Insurance and Private Pensions*, no. 16, OECD, 2012, p. 14.

¹² *The future of financial education, Report on the 2011 FCAC-OECD Conference on Financial Literacy*, OECD, p. 11.

- develop an approach to financial education that is tailored to national circumstances,
- identify national stakeholders and reinforce their cooperation and coordination the actions,
- support and promote the good and verified solutions (and avoiding the duplication),
- develop an awareness of importance of financial literacy as a life skill and keep this issue in front of policymakers in the future,
- international help in solving problems with developing the financial education.

In many cases National Strategies are often complements to specific policy priorities such as consumer protection. The attention is drawn to the fact that consumer/investor who is educated is able to make informed choices and hedge against fraudulent practices. In many countries a priority is also lifelong learning. People learn or need information at each age and stage in life especially in conditions of constantly developing financial markets.

Increasingly, the issue of measurement is undertaken in the area of financial literacy. This aspect includes both measurement of the level of financial literacy as well as assessment (evaluating) of National Strategies. In order to determine the level of financial literacy opinion polls and the other type of surveys are generally used (especially national surveys). This research provides evidence on which key topics, main needs and targeted groups of National Strategies are developed.

Evaluating of National Strategies can be conducted by verification of the objectives. Methods for evaluating the NS should be established and described in NS and should relate to objectives. Besides, it is necessary to check whether the objectives can be quantified and, if so, in what way? For instance, it is possible to check how many people have reached the given program – in comparison to assumptions. Additionally, evaluation methods can depend on the type of program (contained in NS) – e.g. awareness campaigns can be evaluated by a number of people they reach, while strategies designed to increase levels of knowledge can be evaluated by testing the knowledge of participants before and after. National surveys of financial literacy can be repeated to measure improvement. The OECD/INFE has developed a survey instruments for this purpose.

Every year, with participation of OECD several international conferences on financial education are organized. Some of them focus exclusively on the National Financial Education Strategies (e.g. 2011 FCAC¹³ – OECD Conference on Financial Literacy, 2012 APEC¹⁴ – OECD conference “Improving Efficiency of the National Strategies for Financial Literacy”). Participants share experiences and jointly discuss the most important issues related to financial education (e.g. the role of national strategies, the emergence of evidence and evaluation, effective delivery and technology, the limits of financial education and the rise of behavioural finance).

¹³ Financial Consumer Agency of Canada.

¹⁴ Asia Pacific Economic Cooperation.

4. Financial education in Poland

So far Poland hasn't complied with the OECD recommendations regarding development of the national strategy for financial education. And although Poland does not rule out the possibility of introducing relevant solutions, there have been no concrete steps towards the development and implementation of the National Strategy.

Of course, there has been much interest from both the Ministry of Finance and the Financial Supervision Commission. But for now, no one has undertaken the challenge and there is a lack of a vision of cooperation. Maybe Poland should use the document "High Level Principles on National Strategies for Financial Education", which was prepared to support countries like Poland to develop the idea of financial education.

It doesn't mean, that Poland ignores OECD recommendations.

There are many different initiatives in the area of financial education at national and local level but they aren't coordinated. To most important actions on financial education include regular national surveys and available information campaigns, e.g.)

- tests to determine the level of financial education of Polish society,
- many programs addressed to children and youth: to primary-school children (From Penny to Pound), to students from middle schools and high schools (Being Entrepreneurial), to youth economics (My Finances), to to upper-secondary school youth interested in finances (Banks in Action), etc.
- national education campaigns (e.g. Savings Week) and national programs (e.g. Business Startup Project)
- many different local initiatives and campaigns.

The most important institutions which promote and develop financial education in Poland are National Bank of Poland, The Kronenberg Foundation, Polish Financial Supervision Authority, Warsaw Stock Exchange. Academic Business Incubators, and many others. But it should be noted, that all initiatives in Poland are not coordinated enough and this should be changed at first.

Conclusions

The low level of financial education and financial awareness of societies was already noticed a long time ago. The recent financial crisis caused this problem to be increasingly publicized. There are a number of initiatives to improve the level of financial education. For a few years in many countries these activities are *conducted in an integrated way*. Some of them operate based on the proper national strategy on financial education. However, the effects will come after some time.

But there are also many countries that are still waiting for support from the governments or heads of state and for appropriate decisions and regulations to realize the idea of improving the financial education of society. They should take advantage of the experience of countries that are more advanced in the implementation of the

National Strategy and build their own way (by NS) of improving the level of financial education and awareness.

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National Strategies for Financial Education – the concept and first experiences in the world

There have been many studies, whose results confirm the low level of financial literacy of consumers in the world. In 2003 on the initiative of the OECD the process of developing national strategies on financial education (National Strategies or NS) has started. Many countries have already taken the challenge and have developed the NS but unfortunately not all of OECD members.

First experiences of countries which started developing national strategies allow to define guidelines for this processes. These guidelines can be used in the countries, which are considering the designing and implementation of the National Strategy in the future (e.g. Poland).

Narodowe strategie edukacji finansowej – koncepcja oraz pierwsze doświadczenia na świecie

Wyniki wielu badań przeprowadzonych w różnych krajach potwierdzają niski poziom wiedzy finansowej społeczeństw. W 2003 r. z inicjatywy OECD rozpoczął się proces tworzenia narodowych strategii (NS) w zakresie edukacji finansowej. Wiele krajów podjęło już wyzwanie i opracowało narodowe strategie. Niestety, nie we wszystkich krajach członkowskich OECD postępy w zakresie skoordynowanego rozwoju edukacji finansowej są jednakowe.

Pierwsze doświadczenia krajów które rozpoczęły tworzenie krajowych strategii pozwalają określić wytyczne dotyczące tego procesu. Opracowane i zaprezentowane wskazówki mogą być wykorzystane zwłaszcza w tych krajach, w których rozważa się opracowanie i wdrożenie narodowej strategii w przyszłości (np. w Polsce).