



**BANCA D'ITALIA**  
EUROSISTEMA

# WHY FINANCIAL EDUCATION AT SCHOOL

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Education and Financial Awareness**

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# Three pillars of consumer protection

- ✓ Transparency regulations
- ✓ Alternative Dispute Resolution
- ✓ Financial education

***"No formal guarantee can be effective if the persons concerned do not have appropriate instruments for making evaluations. If savers are to be able to find their way among so many different and complex financial products, they will need to have an adequate and up-to-date financial culture." (M. Draghi, 2007)***



# The purpose of financial education

**Behaviors**



**Skills**



**Information**



**Financial education does not involve merely conveying information but making individuals acquire skills and adopt financially appropriate behaviors.**

**In other words, the ultimate purpose of financial education is not to teach what compound interest or credit cards are, but to make individuals capable of using financial instruments in an appropriate way.**

**It is a circular process where information, skills and behaviors feed off each other.**

# **Behavioral economics**

**Studies in behavioral economics have pointed out that individuals do not act as rational agents:**

- they recall information selectively**
- make little use of statistical analysis**
- have unstable preferences**
- have cognitive and emotional limitations**
- are vulnerable to social pressures**

**The ultimate aim of financial education is to change these behaviors**



# **Behavioral economics**

**We have to prevent financial education from increasing confidence without increasing skills: the risk is overconfidence, that contributes to sub-optimal decisions.**

## Two key-words: Awareness and familiarity

It is very important to develop people's **awareness** of their need for financial education and of the influence exercised on their decisions and behaviors by emotions and cognitive factors.

**Familiarity** is a pre-requisite for making sound financial choices. Financially illiterate people tend to procrastinate financial decisions, often make decisions inconsistent with their actual needs and in many cases experience anxiety.



# Three conditions for success

**Targeted programs**



**Entire  
population**

**Life-long  
education**

- Financial education is effective when delivered:**
- ✓ to the widest possible portion of the population,
  - ✓ on an on-going basis
  - ✓ through high quality programs tailored to the specific needs of their recipients.

# **How can we meet these requirements?**

## **By delivering financial education at school**

**Schools can be an optimal channel to reach all those who, as adults, will have to face financial decisions.**

**School is the first place to acquire familiarity with financial notions.**

**If students can acquire this familiarity during the entire course of their school life, as adults, they will be prepared to deal with financial matters.**



# Why at School: further reasons

- ✓ **Children are extremely receptive**
- ✓ **Children are not aware of the importance of providing for their future needs**
- ✓ **Children are often the target of marketing and advertising campaigns**
- ✓ **Children have pocket money to spend and have influence on household spending**
- ✓ **Children need to acquire financial culture which is not independent of the social status of their family**
- ✓ **There is a spill over effect on families**

# Challenges

**A survey carried out by the OECD in 2009 in 31 countries has shown the main barriers to the delivery of financial education at school:**

- **teachers' low level of subject knowledge and expertise**
- **overcrowded curricula**
- **absence of an assessment policy in place for this subject**
- **fragmentation of training and staff turnover**
- **insufficient priority placed on financial education by national Governments**
- **reliance on the school or individual teachers to decide whether or not the subject is taught**
- **lack of funding**



# **A project to face the problem of the lack of basic financial knowledge in Italy**

**In 2007 the Ministry of Education, University and Research (MIUR) and the Bank of Italy signed a memorandum of understanding for an experimental project to incorporate financial education into school curricula.**

- ✓ The purpose of the project goes beyond providing students with basic FE notions**
- ✓ The ultimate aim of the project is to make financial education an integral part of the various subjects taught at school**

# General features of the project

- **Primary, junior high and high school are all involved**
- **Experts from the Bank of Italy train teachers and provide them with educational material**
- **Teachers deliver financial education in the context of the curricular subjects in a series of dedicated lessons (10-12 hours)**
- **The program effectiveness is measured through questionnaires administered to students before and after the series of lessons**



# **The project development**

**School year 2008-2009: pilot phase, 20 classes in three cities**

**School year 2009-2010: 1<sup>st</sup> experimental edition  
458 classes (about 8,900 students) nationally**

**School year 2010-2011: 2<sup>nd</sup> experimental edition  
more than 800 classes nationally**

# The **FE** lessons deal with

✓ **Money**

✓ **Cash and other payment instruments:**

- ✓ Bank account
- ✓ Payment cards
- ✓ Bank check

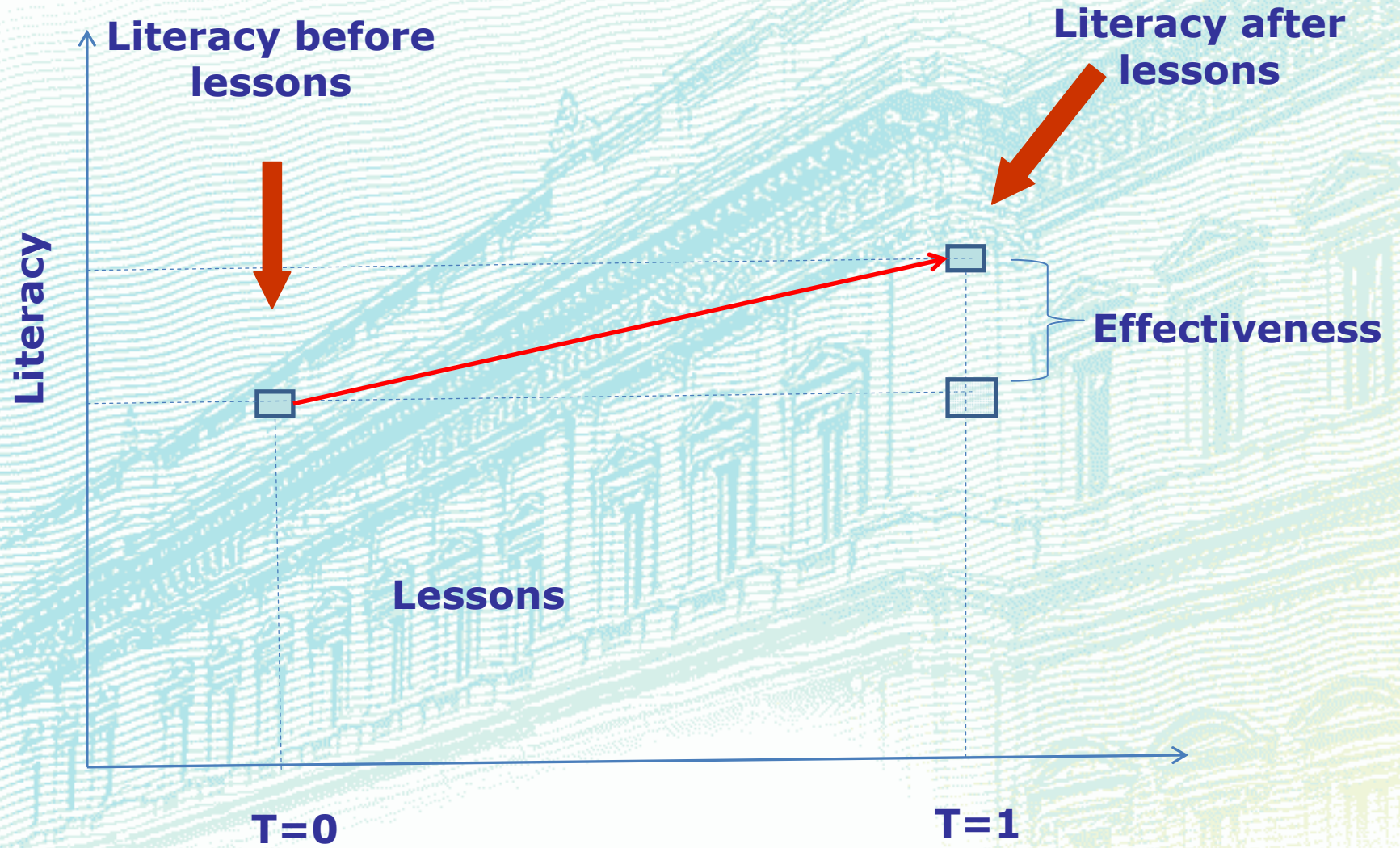
✓ **Price stability**



# Tests

- **Primary school: 18 questions in 35 minutes (money and saving, price stability)**
- **Junior high school: 25 questions in 35 minutes (money, saving and payment instruments, price stability)**
- **High school: 45 questions in 1 hour (money, saving and payment instruments, price stability)**

# Test results





# 2009-2010 TEST RESULTS

Year 2010	1 <sup>st</sup> test	2 <sup>nd</sup> test	$\Delta$ correct answers
Primary school	72.4%	85.1%	12.7%
Junior high school	70.0%	79.0%	9.0%
High school	60.0%	69.6%	9.6%

**The results of the tests show that:**

- ✓ **it is worthwhile to carry on with FE at school**
- ✓ **financial education programs should start as early as possible**

## Conclusions

***"While not a panacea, investing in financial education is an important means to perform our institutional duties: protecting savings, ensuring stability and promoting competition"***

**(Visco, 2010)**





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***Thank you for your attention***

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