

A NEW CHALLENGE IN EU: EFFECTIVE FINANCIAL EDUCATION

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Abstract: *The main aim of the paper is to highlight the importance of financial and business education in the context of the more and more complex and dynamic economic and social systems specific to the modern societies. Financial literacy is a need for people responsible for the way money are managed in a competent way (both their money and other people money with a special dimension on the local/regional and macroeconomic levels). The decisions people made in respect with the money have impact on both short-term and mostly long-term future. Their responsibility and the risks assumed increase as long as employers and government responsibility and assumed risks in this respect might decrease in some cases. The paper is mostly design as a theoretical paper based on literature review and critical research and critical thinking methods. Based on the literature review the paper had identified the most important principles of financial education and illustrates some of these principles such as: active long life learning; oriented based mostly on individuals needs; connected with the early economic education provided both by formal education institutions (schools) and by non formal and informal training programmes like the one provided by NGO (such as Junior Achievement, CREE etc.) where basic concepts on financial issues have an important role; risks oriented. These principles and mostly the ways and forms to provide financial education both within a formal and non-formal framework are debatable subjects and critical thinking and comparative analyses might be fruitful into this respect. In Romania, financial education is in the majority cases part of the school based curriculum. The Ministry of Education recommends that all the educational institutions interested in delivering financial education programs within their schools have to develop also a syllabus for an optional subject that might focus on financial issues. Banks are also interested to contribute to the financial education. They might help schools in conducting financial education programs and, additionally, they developed their own financial education programs. Local and regional institutions are also very important and mostly from the long-run perspective they might make the difference for a sustainable development strategy where investment in life long learning economics, business and financial education have a crucial role.*

Keywords: economic education, financial education, financial literacy, competent money, school based curriculum, financial education programs.

JEL classification: A20, A21

1. Introduction

We consider that within a knowledge-based society and economy people do not have to look back to the economy of our childhood, but they have to be able to look forward to the economy of the future. Some authors may consider this statement challenging with respect to the financial education. But in fact financial education have to prepare people not just to register the performances obtained in the past (using complex financial and economic index). The financial education have to make people familiar with the expected evolution of future events when even the traditional concept of "money" will evolve and transform. *Competent money* will need people to be prepared *to use money in a competent, effective and efficient way*. And decision making with respect to money need not just a "reactive" way of thinking and behaving, but mostly an "anticipative" way to project the future, to take the proper decisions and to identify the most important expected consequences regarding how to use money in a competent way.

Within the modern society called the *new economy*, the *post-industrial economy*, the *creative economy*, the *knowledge-based society and economy* there is an important shift from the monetary flows towards the intangible one and from the physical and tangible assets towards intangible ones. Many of the new benchmarking methods are no longer applying just the monetary expression. Intangible assets and mostly intellectual (human, organizational, relational) capital are considered to be the real source of a long-run sustainable competitive advantage. More that 80 % of the value added of the "top" companies is extracting its value from the intangible assets. So this new framework addresses new challenges for economist and mostly for the financial sector and as an implicit consequence for financial and business education. Tacit knowledge, intellectual capital, knowledge management and other important endogenous source of a long-run sustainable development both on the micro-, mezzo- and macro-level are asking for a new paradigmatic thinking way with respect to money. New forms of money and new forms of trade and financial intermediation such as e-commerce, e-banking and many other new forms of exchange regard other perspective with respect to financial education. We need to need to encourage entrepreneurship, talent management and mostly the creative class to manifest in a creative way in accordance to the new perspective provided by the creative economy where the financial sector is also considered to be a special category of the creative industries.

Creative economy based on creative people, creative communities and innovative business are becoming relevant mostly during the amplified crisis. Some authors consider that crisis is the mother of invention and innovation. And many research studies had provided many examples of best practices with respect to the creative economy approach where the role of traditional money is changing in a significant way. New benchmarking like the *Global Innovation Index*, *Euro Creativity Index* or *KAM (Knowledge Assesment Method)* promoted by the World Bank rank countries performances no longer based just on GDP and other monetary index. Beyond GDP initiative adopted also on the European Union level in 2007 ask for an extension of the way we judge performance, efficiency, effectiveness and even rationality in the new economy context. Boundary rationality goes beyond traditional way of thinking. And it looks that we need a new way of thinking mostly if we want to face and to manage to realize the second part of the semantic meaning of crisis as a very challenging concept. We need even a new semantics where crisis does not mean

just damage. It regards mostly that people have to think in a positive constructive way and to realize that today crisis is very complex (moral, ethical, environment, demographic, economic, financial crisis co-exist and amplify their effects). As complexity science suggests, in order to cope with complexity we have to re-discover simple ways to deal with it. And mostly important we need to realize the second part of crisis semantics like in its old Chinese origin: opportunity to change something. This way of thinking applies also for money. In order to cope with the contemporary financial and economics issues we need a new paradigm with respect to money. And one of the most important ways to do this ask for a new paradigmatic perspective of financial education. Some of this new approach of the financial education as we manage to identify within the specialized literature are presented within this paper. Just some of them. We know that people use to look for mathematic, econometrics and statistical tools to be applied for scientific papers. But we consider that for emergent topics like the one we address before starting to apply a new /old econometric model we need to think in a new way. And this asks for a new way of thinking and acting in the context of new economy and knowledge-based society.

Soft skills are also important for financial education; mostly those that focus on problem solving, critical thinking, creativity, communication, team building. As suggested by Charles Lawton, chief economist for Planning Decisions Inc. in Maine “the answer that emerges is that the model workplace of the 21st century is the Google playroom - a combination dorm lounge, cafeteria, artist studio, laboratory and playground. And the central skill is creativity-making connections and seeing the unknown, the perplexing, the out of order, the unexpected as challenging and fun. This new economic era will be far less dependent on geography and far more dependent on human ingenuity -a factor much more subject to our own public decisions” (Lawton, 2013, p.2),

Lawton also suggests that the new monetary flows have to take much more into account the unique and original goods and services according to individual needs and not to the mass production like in the industrialized era: „*The last century was about standardization and mass production. The next is about individualization - of both product and production. Google's business model for its glasses-embedded computer is to give thousands away and ask people to find cool things to do with it. Instead of centralized control, the goal is crowd-sourced direction*” (Lawton, 2013, p.3).

The recent economic crisis emphasized how important is for individuals and families to have information, competences and adequate tools for making good decisions in a financial system that becomes more and more complex. The crisis showed that individual financial welfare is fundamental for financial stability at national level and that a poor financial education is one of the reasons for decrease in standard of living and prosperity. The weakness and difficulties face in order to promote a proper financial education in line with the new approach we highlighted before makes difficult for people to be informed participants in economic activities. This is the main reason that explains why financial education became a priority in European Union.

As an additional argument we mention that in 2007, *European Commission* adopted *Communication COM (2007) 808*, that established basic principles in financial education programs that are presented briefly within the following paragraph.

2. EU principles for high quality financial education

Based on pertinent analysis of existing financial education programs in EU, EU Commission established basic principles to help public authorities, suppliers of financial services, consumers organizations, employers, and other entities interested in conducting financial education programs at local or national level. These principles are consistent with nowadays approaches and methods designed in order to develop successful financial education strategies.

Principle 1: Financial education has to be actively promoted as part of lifelong learning process. Financial education programs have to be designed for youngsters and elderly as well and to empower people to face financial challenges they experience in their everyday life. Financial education programs have to be adapted to citizens' financial situation and understanding.

Principle 2: Financial education programs have to be clearly oriented to people needs. Achieving this objective depends on research conducted to identify the present level of financial knowledge individuals have and also the concepts, issues, and problems that need to be immediately studied. Financial education programs have to be available in time and accessible as well. They have to target people in specific situations and with specific needs: graduates searching for jobs, unemployed people, couples who want to become families, youngsters, people who want to borrow money and so on.

Accessibility is especially important in order to facilitate people's access to information. Accessibility is a requirement for content (the information) and content format as well. Financial education can be delivered in schools or out of the school; it can be part of formal or non-formal education. Adult's financial education can be delivered also in partnerships with employers; it can be delivered at work places and may be focused on pension systems.

Principle 3: Economic and financial education has to start as early as possible. Financial education has to be part of school curriculum. In other words, schools have to provide financial education to students. It is important that financial education start as early as possible, even in elementary school. EU Commission has published a recommendation regarding key-competences in lifelong learning process (2006/962/CE) that advocates in favor of basic competences such as capacity to apply mathematical thinking in daily life situations, to understand deeper the economic mechanisms, or to plan and to organize your personal life. The recommendation explicitly asks educational authorities to support and promote economic and financial education.

Principle 4: Financial education programs must create awareness to the need of financial information and financial risk understanding. Consumers are not always aware of lack of information they have in respect with financial issues and risks. Making them aware is the first step to positively motivate people for financial education. Instruments such as self-assessment questionnaires or commercials for financial education may help to increase the level of people awareness. Informed people can be oriented to specific financial themes and issues.

Principle 5: Financial education has to be balanced, transparent, and objective. Consumers' interests are always priorities. Financial services sector has to be involved in financial education. Employers in this sector have to be encouraged to

take initiatives and to contribute to financial education with their valuable expertise. Financial services providers should make clear differences between general and financial education and financial counseling, and this has to be also clearly presented in educational materials developed.

Principle 6: There should be available resources for effective financial education programs and trainers in this domain should be properly trained.

In order to have effective financial education, the trainers who conduct such programs should be well prepared and trained. This is true not only for teachers in schools, but also for social assistants, banks employees, volunteers and all other categories of educators that act in public benefit. As consequence, training of trainers programs has to be designed and educational materials to be developed and adapted.

Principle 7: At national level, all interested entities in financial education have to be involved. Roles have to be clearly defined so that experiences to be shared, and resource to be rational allocated.

International cooperation between financial education providers has to be enforced so that best international practices to be shared too. There is no monopoly on financial education. Many entities work together to educate people in financial domain: school, financial services suppliers, consumers' organizations, family and other interested parties. This contributes to establish more clear objectives, target better specific groups, allocate more rational the resources, and to promote experiential learning. At international level, cooperation between financial education providers and establishing financial education networks would help identifying domain that need special attention and sharing best practices.

Principle 8: Financial education providers periodically have to evaluate their programs and, if necessary, adapt them to the best practice identified. Financial education providers periodically have to evaluate progress and results. If necessary, they have to make changes in their programs to achieve the highest standards existing in the domain. Consumers have to have access to specialized information that may guide them through complexity and diversity of financial services.

3. The role of financial educational programs in school and other educational institutions in the context of formal versus non-formal and informal life long learning

Experts agreed many years ago that in Romania financial education in a need. There is consensus in recognizing that economic and financial education helps youngsters to a better management of personal finances. Young people who have developed an economic way of thinking are self-confident, capable to make better financial or carrier decisions and to act responsible as informed citizens. Financial educational is based on basic economic concepts and economic way of thinking and is designed as an authentic program of financial literacy.

Financial education, both for middle and high school level, is an optional subject proposed and approved by the Ministry of Education. It was proposed on the recommendation of *the European Parliament* and *EU Council* as a subject that can develop *key competences related to long life learning capabilities*. On the European Union level experts and decision makers suggest that each person must have, and also skills student must have, including: initiative, social and civic skills, or learning to learn.

Financial education is part of school based curriculum. Its objectives can be achieved by interdisciplinary approaches within the *Civic Education/Culture*, or other *Humanities* disciplines, namely the social sciences curricula. It has been taught, actually learned, since the school year 2011-2012.

The existence of a discipline that addresses the relationship between consumer characteristics and consumption was considered extremely useful, taking into account that Romania is one of the European Union countries where consumption is too high. Often, this was highlighted during the boom, when Romania's economic growth was based mainly on consumption and real estate sector growth that has been proved not being sustainable.

Conducting financial education programs in schools might leads to the development of skills/ competences such as: learning the main notions of consumption, and consumer behavior; ability of rational management the financial resources; ability of correct management of the personal budget or family budget out of which the student comes from; developing an active and responsible social behavior, adapted to economies in transition, rapidly changing; developing the spirit of saving, meaning that students should avoid excessive consumption behavior based on it would have certain skills that can make the difference between what is necessary and what is extra; cooperation with others to solve problems of economic, social, theoretical or practical nature which may arise in the community or in different groups in which the individual carries out its activity/ business. Therefore, financial education would create rational and informed consumer behavior related also to the economic characteristics of the environment in which they live.

Financial education focuses on recognizing the quality of goods and services, on ability to draw up a personal budget, effective allocation of financial resources and the decision made in respect with appropriate banking products and lifestyle habits. Because of these issues, it is considered that possession of such knowledge is essential in understanding how individuals act and how interdependent relationship between individual behavior and the economy taken as a whole are created. Financial education programs are developed traditionally around some basic economic concepts such as: money, incomes, consumption and savings (Tables 1 and 2).

Thus, first, there is a continuity of concepts acquired, a more detailed study of the passing of their secondary education at school. This is justified not only by mastering the basics in high school, but also a greater capacity for analysis and perception of the phenomena studied and their implementation in everyday life. In this respect, the main content Gymnasiums education is based on the concept of consumer, on the family budget, on how the financial needs can be met immediately or postponed by means savings or taking out a bank loan and the benefits and risks arising in relation to consumer-financial institution. To this, add other content, in the second stage of deepening that matter, the most important being how to use banking services (deposit, credit card, electronic bill payment partner services), awareness of ensure personal and property ownership and matters related to *the National Bank* and Romania to the euro changeover conditions.

Table 1: Most relevant skills and content recommended for the financial education curriculum within the middle school

Specific skills	Content
<p>Proper use of specific terms of the financial education</p> <p>Recognition the quality of a goods and services</p> <p>Budget management</p> <p>Identifying ways to save money</p> <p>Practicing, through team work, the allocation of financial resources to meet existing needs</p> <p>Showing a responsible attitude towards budget management</p> <p>Savings products and credit for parents and children</p> <p>Applying information about financial services in solving different loan situations</p> <p>Practicing, in teamwork, the use accurate and effective (digital instruments) means of payment in the country and across the Union European</p> <p>Developing skills of responsible analysis/ comparison of advantages and consumer risks in relation to bank</p>	<p><i>Consumer, family budget/ personal budget</i></p> <p>The middle school student as a consumer. Consumer rights and institutions that protect these rights</p> <p>Family budget. Personal budget. Income of the family. Personal income. Family expense. Personal expenses.</p> <p><i>Personal budget management</i></p> <p>Allocation of financial resources: needs that are be met immediately/ that can be postponed/ to which may be dispensed</p> <p>Money. Forms of money. Utility of money</p> <p>How to save money and reduce wastage of money.</p> <p>Consumer relationship with banks</p> <p>Money and banks.</p> <p>Opening/closing an account</p> <p>Savings and family projects.</p> <p>Modern means of savings. Savings tools for children (savings account for children).</p> <p>Consumer credit</p> <p>Means of Payment. Romania money. Other EU countries money. Credit cards.</p> <p>Benefits and risks of consumer</p>

Source: Romanian Ministry of Education, 2010

Table 2: Most relevant skills and content recommended for the financial education curriculum within the high school

Specific skills	Content
<p>Proper use of specific terms of financial education</p> <p>Identifying the personal needs and the family needs</p> <p>Personal budget and explain the structure of family budget</p> <p>Designing personal/family projects and making decision in different financial situations</p> <p>Designing, through teamwork, a personal /family monthly budget</p> <p>Identifying ways to save money</p> <p>Practicing, in group work, the decision-making skills on different options for saving and lending</p> <p>Development of skills related to safely use the various means of payment</p> <p>Developing the analyses skills of consumer's benefits and risks in relation to bank</p> <p>Applying the specific financial information analyzing and evaluating financial services</p> <p>Practicing, in group work, the use of banking services</p> <p>Development of skills related to safely use the banking services</p> <p>Responsible participation</p> <p>Explaining the role and main duties of NBR</p> <p>Explaining the conditions to be meet by Romania in the transition to the euro</p>	<p><i>Needs and persons and family projects</i></p> <p>Needs of individuals / families and how their coverage</p> <p>Income and spending; personal budget and family budgets</p> <p>Individuals and families financial projects. Money management.</p> <p>Money and banks.</p> <p>Surplus of money. Savings and their role in the personal budget.</p> <p>Bank deposits. Securities</p> <p>Deficit if money. Coverage options. Loans. Borrowing money.</p> <p>Cost of money borrowed. Cards. Types of cards.</p> <p>Risk prevention methods in terms of money management. Financial services for the population.</p> <p>Types of financial services: paying bills, online services, Internet banking</p> <p>ATM and its use.</p> <p>Insurance. Risks and insurance against risk. Mandatory and optional types of insurances: life, health, pension and educational children, travel, supplies in property</p> <p>Banks and risks prevention</p> <p>Banks system in Romania: financial institutions and banks.</p> <p>Banks and financial offers</p> <p>The National (Central) Bank: history, relationships with different financial institutions, and citizens.</p>

Source: Romanian Ministry of Education, 2010

Financial education is considered by many teachers of economics a 'weaker' form of economic education, meaning that just about some basic economic concepts and summarized in a basic level of analysis. Calling over the terms of everyday speech and, if possible, to limit the use of specialized language.

We consider that in order to promote a competent financial education educational programs need to be conducted not only by formal education institutions but also by the banks and non-governmental organizations

The issues outlined above, have resulted largely in theoretical characteristics of the subject of financial education. However, not only at the secondary education this approach there, but it is embodied in the various programs implemented by banking institutions or insurance companies. In this regard, recall the CSR policy of these institutions, which aims to inform citizens about certain features. Currently, programs targets young people from universities and colleges, in an attempt to support financial management and assimilation characteristics of products and services banking. The programs also advise anyone wishing to know deal with how to achieve a budget or how to use certain banking instruments. Other programs provide information about life insurance and about the financial planning.

4. Conclusions

Financial education is based on principles such as: active long life learning, individuals needs oriented, part of the early education provided by schools, basic concepts on financial issues and risks oriented. In Romania, financial education is part of school based curriculum. The Ministry of Education recommends all schools interested in delivering financial education programs schools a syllabus for an optional subject focused on financial issues. Banks are also interested to contribute to financial education.

Within other papers we provided additional practical evidence of the performances obtained by one of the non-governmental organizations where both authors of this paper are involved-*CREE (Centrul Roman de Educatie Economica-Romanian Centre for Economic Education)*. CREE had been created in 2001 with the support of NCEE (*The National Centre for Economic Education from United States of America*) where both authors had benefit on two programs dedicated for “*Training of trainers*” and corresponding for “*Trainers of Writers*”. This paper tries to support a new paradigmatic way of thinking. So we were not intending to provide a collection of data, econometric models, equations, regressions, graphs and other tools used by empirical studies. We applied these tools for other research. But the main purpose of this paper was to review the most relevant studies identified within the specialized literature and to try to ask first experts in the economics and finance research fields to debate these new approaches. Next, in a co-operation spirit we can develop also a more pragmatic vision and come with concrete results. We wanted first to benefit on the opportunities provided by participating to scientific events like the prestigious International Conference organized by our colleagues from the *Faculty of Economic Sciences from University of Oradea*.

Future research could be oriented to improve and to develop appropriately the present financial education curriculum. Specific content and methods could be developed, teachers guide and students centered materials could be developed. Both students and teachers would benefit.

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