

What is financial literacy, and does financial literacy education achieve its objectives? Evidence from banks, government agencies and financial literacy educators in England¹

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Abstract

Banks, regulators and governmental funding bodies have expressed concern about the lack of financial literacy and therefore support educational interventions designed to promote financial literacy. However, whilst the extant literature and providers of financial literacy education both extol its desirability, the meaning of financial literacy and what financial literacy educators should provide has escaped a clear analysis and discussion. This paper seeks to understand the concept and scope of financial literacy from the perspectives of banks, regulators and government funding bodies using surveys, observations, interviews and the use of an innovative curriculum synthesis called 'Competency based Action Learning (CoBAL)'. The content and delivery of financial literacy education are then explored to assess the extent to which it is consistent with the expectations of banks and government agencies.

The findings show that financial literacy is perceived to be more than information, knowledge or even capability; it is the demonstration of competencies in actual performance in the financial world. However, this understanding of financial literacy is at variance with the actual financial literacy education interventions of financial advisers and financial literacy education providers. It is found that often financial literacy is misunderstood and educational interventions are ineffective because the financial literacy curricula are too simplistic. Proposals for improving upon the quality of financial literacy education are offered.

1. The problem and concern

History has recorded many inappropriate financial decisions. Money has often been a cause of the delusion of multitudes. The South Sea Bubble was described as a madness that seized the people of England in the eighteenth century. Another bubble in England related to the English Copper and Brass Company gave rise to the caricature of "the headlong fool" that may "prove himself an ass" (Mackay, 1852:2.23). 'Credulous fools' and 'unscrupulous knaves' were condemned for buying and selling respectively. More recently, towards the end of the twentieth century, inappropriate financial transactions were being described as 'financial misselling scandals'. In 1998 the 'pension misselling' scandal was expected to have cost British insurers an estimated \$18 billion in compensation payments to nurses, miners, schoolteachers and other workers who were affected by bad advice (Steckow and Calian, 1998). In 2000 the House of Commons noted that much distress had been caused by the misselling of endowment policies linked to mortgages (Cable, 2000). Speaking to the Council of Mortgage Lenders, the Chairman of the Financial Services Authority (FSA), acknowledged that some consumers were sold badly flawed products and often incorporating unjustifiably high charging rates (Davies, 2002). Financial brokers were being offered high rates of commission to arrange loans at very high rates for people who were already in financial difficulties. On one occasion brokers had received as much as £1000 to arrange a £5000 loan; on another occasion a secured loan of £2500 had been on offer at an annual percentage rate (APR) of 40% (Which?, 1992). Banks in the UK are currently in the process of paying out billions of pounds in connection with the misselling of Payment Protection Insurance (PPI), to unsuspecting customers who did not need it and sometimes not aware that they had bought it.

Reports about misselling bring up some important questions. What factors might lead to misselling and how can these be avoided? On the one hand, the succession of misselling crises

might be due to unscrupulous sellers, indicating the need for more effective regulation of the providers of financial services. On the other hand, these crises might be due to financially 'illiterate' buyers, indicating the need for more effective education of the consumers of financial services. The issue could be one of misbuying rather than misselling. Arguably misselling takes place only when there are misbuyers or people who can be missold to. Many consumers are known to show limited interest, make little effort to evaluate alternatives and some even purchase financial services which may be detrimental to their long-term interests (Devlin, 2003).

This paper is about the meaning and scope of financial literacy (FL). First, I consider the personalised context and the concern that led to this research. Secondly, I undertake a literature review. Thirdly, I set out the methods of enquiry and data analysis. Finally, I put forward research conclusions and recommendations.

2. The context

Is it possible to avoid inappropriate decisions in the area of personal finance? This question had been engaging my attention since forty years ago, when I joined an international bank as trainee manager. For a period of twenty-five years, I worked in the financial services industry, advising consumers and observing them making financial decisions. In 1995, I changed career. From being a senior banker, I went on to become a senior banking lecturer. I provided financial education to students. All my students were current and potential consumers of financial services. Some of my students were bankers themselves; they were providers as well as consumers of financial services.

As a senior bank manager turned senior banking academic, I was able to see financial services from two different perspectives. A senior level career in the financial services industry had been an automatic gateway to a certain level of FL acquired as part of the process of developing job knowledge. As a 'financially literate' senior bank manager, I had occasion to observe customers making inappropriate financial decisions. Some of these inappropriate decisions actually helped in the achievement of bank business targets. Despite some concern about inappropriate consumer decisions, my perspective for a quarter of a century was primarily from a provider's point of view. The transition to the role of financial academic offered an opportunity to interrogate the field with less bias and more criticality.

Having acknowledged that a number of factors were responsible for the quality of financial decisions, I selected for my research one factor that had been my concern for several years: the consumer's financial literacy. Having recognised that a number of factors would be responsible for FL levels, I chose financial literacy education (FLE) as a subject that merited investigation. The choice of FL and FLE as foci for my research had "autobiographical roots" (Seidman, 1991:24), and originated from my own prior experiences. The duality of my own professional perspectives as financial services provider and financial education provider set the stage for the study of the duality of the consumer's position as consumer of financial services and consumer of FLE.

3. Literature review

The earliest known use of the term FL appeared to date from 1992, when a report for the National Foundation for Educational Research (NFER) commissioned by NatWest Bank, defined FL as "the ability to make informed judgements and take effective decisions regarding the use and management of money" (Noctor et al., 1992:4). This definition had since been widely used by a number of organisations researching the subject including the FSA and NIACE

in Britain and the ANZ Bank and the Council for Adult Literacy in Australia, and served as a starting point for my investigation. More recently, the US 'President's Advisory Council on Financial Literacy' (PACFL, 2008:2) set up 'to improve FL among all Americans' defined FL as "the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial wellbeing", and the 'Rand Center for Financial and Economic Decision Making' defined FL as "knowledge" as well as "ability to use that knowledge and other financial skills" (Hung et al., 2009:12).

An overview of research articles on FL revealed that studies could be broadly classified under four categories:

- Research documenting the FL of youth
- Research documenting the FL of adults
- Research about developing FL
- Research evaluating programmes aimed at developing FL

Research documenting the FL of youth and the FL of adults could logically be expected to yield information about FL. Research about developing FL and research evaluating the programmes aimed at developing FL could contribute towards could offer insights in relation to FLE.

Studies that purported to document FL generally focused on specific demographic segments, and could be broadly classified as those that recorded FL levels in young people and those that recorded FL levels in the adult/older population. My reason for looking at these studies was to see if any prior research had been undertaken in order to answer the question: 'What is FL?' It seemed logical to assume that, in order to document the levels of an attribute, a prior condition of documenting the nature of that attribute would have been met. The following major themes emerged:

- FL is something desirable and beneficial and required by consumers
- current FL levels are low
- there is an urgent need to develop FL

Overall, I detected a tendency to focus on the lack of and need for FL and to infer rather than investigate what constituted FL.

Research documenting the FL of youth generally covered varying age groups from six to twenty-four, and consistently portrayed FL as something desirable but inadequate. In the USA, Chen and Volpe (1998), Huddleston-Casas et al (1999), Fox et al (2005), Anthes (2004), the American Vocational Association (2002), Warwick and Mansfield (2000), Tennyson and Nguyen (2001), Varcoe and Fitch (2003) and others documented low FL levels among college and high school students. Generally "financial literacy among the young" was found to be "low" (Lusardi et al., 2010:358). In Australia, low FL levels were documented among university students (Beal and Delpachitra, 2003) and special schools (Dowrick, 2004). The Commonwealth Bank Foundation (CBF) (2004), Sydney, noted links between poor FL and unemployment, sleeplessness and increased tendency to smoke. In New Zealand, Morris (2001) and others concluded that New Zealand senior secondary students were not sufficiently financially knowledgeable to handle situations they were likely to encounter in later life. In the UK, NFER research sponsored by NatWest Bank and analysed by Schagen and Lines (1996) found that younger people were more likely to experience financial difficulties. The financial services regulator, the FSA, concluded through various studies (2004) that there "was a very low level of financial knowledge and extremely low levels of engagement with financial information"(2005:9). In Korea, low levels of FL was correlated with negative attitudes to money (Sohn et al., 2012).

Turning from studies on youth to the study of older people, these seemed focused on specific cohorts of the adult population. In the USA, studies on the baby boom generation (Cutler and

Devlin, 1996), and investors (Alexander et al., 1997, 1998, 2001) found low levels of knowledge and a lack “even a rudimentary understanding” (Lusardi et al., 2009:2). In Australia, a research project examined members of non-profit boards (Saunders et al., 2002) in the light of the elements of FL examined by Britain’s Adult Financial Literacy Advisory Group (AdFLAG, 2000) addressed similar issues, and in the UK, studies on marketing directors (Nil, 1996) low paid workers (Bond, 1998, 2000) adults (Bond and Boucher, 2000) reached similar conclusions. A study of UAE investors found that their FL was “far from the needed level” (Al-Tamimi and Al Anood Bin Kalli, 2009:500). To sum up, it appeared that all the adult groups chosen for study evidenced a lack of adequate FL, whether they were benefit claimants, investors, marketing professionals, or board members.

FL was held to be desirable, to deter financial exclusion (Jones, 2008), improve access to credit for home mortgages (Courchane et al., 2008), enable households to benefit from direct investment in stocks (Cardak and Wilkins, 2009), help small business owner-entrepreneurs function efficiently at work (Brown et al., 2006), help in taking control of retirement savings investment (vanRooij et al., 2007), have a beneficial impact on retirement planning and wealth accumulation (Lusardi and Mitchell, 2007, 2009), and be related to overall life satisfaction (Shim et al., 2009). Simpson and Buckland (2009) saw linkages between lack of FL and financial exclusion and advocated the promotion of universal FL, while Lo (2009) examined the need for regulatory reform post 2007-2008 financial crisis and advocated more emphasis on FL starting in high school.

Studies which attempted to gauge the FL of entire nations find FL to be low in most countries, including developed countries such as Japan, USA and Australia (OECD, 2006, 2005). The Australian study of adult population carried out by Roy Morgan Research on behalf of ANZ Bank (2003), seemed to be the only survey which concluded that FL rates were high; a cynic might conclude that such a finding was convenient and in the interests of the banking community.

As pointed out by Marcolin and Abraham, (2006:8) “there are significant limitations” in studies in the area of FL. Various studies conveyed the message that FL was something worth possessing, but did not seem to throw much light on the question ‘what is FL?’ There seemed to be consistent attempts to document inadequate FL without making efforts to first understand FL. One was left to infer the meaning attached by these researchers to the term FL. By inference, FL could be adequate “knowledge of personal finance” (Chen and Volpe, 1998:1), understanding (Devlin, 2003) confidence (Cutler, 1994) reviewing one’s financial position (Gregg, 1993) and making “changes” (Dvorak and Hanley, 2010:3). As summed up by Remund (2010:276) “Scholars, policy officials, financial experts and consumer advocates have used the phrase loosely to describe the knowledge, skills, confidence and motivation necessary to effectively manage money. As a result, financial literacy has varying conceptual definitions in existing research, as well as diverse operational definitions and values.”

The literature survey indicated that the field of personal finance was “sociologically neglected” (Aldridge, 1998:1). The interest lay in improving practice rather than in understanding. Levels of FL were reported without a prior analysis of what constituted FL. There were assumptions that FL was related to factors such as knowledge and understanding of financial issues. These assumptions were embedded in the instruments devised for research, possibly contributing to further bias. There seemed to be little or no attempt to understand the nature of either FL or FLE prior to attempting to develop literacy and educational programmes. There was a gap here that is required to be addressed. In the circumstances, I asked the questions ‘What is FL?’, ‘What is FLE?’ and ‘What might be the components of an effective FLC?’ For the purpose of this

paper, the focus will be on addressing the first question, as the answers to the following two questions would depend on the answer to the first, in the light of which FLE interventions could be examined to ascertain if they met the required objectives of FLE.

4. Research Methodology

Adopting an inductive grounded theory approach and a pragmatist philosophy, in association with real-world organisations such as the National Institute of Adult Continuing Education (NIACE), the Financial Services Authority (FSA), and the National Research and Development Centre for adult literacy and numeracy (NRDC), empirical data was collected from surveys, observation and interviews. The adoption of a mixed methods strategy enabled the employment of *different research methods, work with different types of data* and use *different investigations* while conducting “balancing acts between a number of pragmatic considerations” (Brannen, 2008:4). Financial advisers including banks and community organisations, financial literacy educators and practitioners and key informants in regulation and industry thought through various issues and articulated them in the process of the research and different strands of empirical materials and perspectives were combined in the study which included the survey, observation, exploration through practice, interview and participative interaction. Triangulation was sought to be achieved by using different research methods, and also different sources of information (Denzin, 1988) in order to “enhance credibility” (Robson, 1993:404). The empirical setting was the ‘real world’ (Robson, 1993:1) where financial services and FLE might be on offer and located in England.

This was the first time that perceptions of financial advisers on financial literacy were analysed; previous studies had almost exclusively focused on consumers. The research instruments were almost without exception addressed to consumers themselves. There seemed to have been no attempt to address the issues from the perspective of other stakeholders such as FAs who, being deemed to be financially literate themselves, and geared towards recognising any deficiencies in FL, might be in a better position to answer the question ‘What is FL?’ The questionnaires were administered by NIACE and the responses passed on to me for analysis. Individuals from a broad range of financial organisations provided their perceptions and facilitated the identification of any emergent themes. A sample questionnaire answered by a bank is appended below.

On receiving the questionnaire responses, I performed a series of tasks: data entry, coding, analysis and report writing. I typed up all the 103 handwritten survey responses in Word and then converted these to Rich Text Format. I then imported the documents into NVivo, classifying each document according to type of organisation, and carrying out section coding of all 103 documents, enabling each section or question to be grouped together. I coded responses and constructed ‘trees’ of data in order to facilitate the emergence of possible themes. A summary of the NVivo analysis is furnished in Appendix 2. The survey helped to ascertain what were considered to be the most important financial issues, what could be done to discover or address these issues, what might be the specific problem-solving strategies used day-to-day by individuals in relation to financial matters, and what, if any, literature/materials on finance were aimed at consumers. The survey analysis provided some answers to these and other questions and thus helped to achieve a better understanding of what might constitute FL.

The findings were then triangulated with findings from observation and interviews. Details of sampling and methods of analysis are summarised below.

Table 1: Sampling and methods of analysis

	Sample	Sample size = n	Tools of analysis
What is FL?			
Survey 1	FAs	103	NVivo qualitative research software
What is the FLE on offer?			
Survey 2	FLE providers	65	SPSS statistical research software
What might be the components of an effective FLC?			
Observation, curriculum exploration interviews and participative interaction	FLE providers and FL course participants	Observation of courses: 6 (three were 2-full-day courses; two were 8-week 2-hour sessions; one was a 2-hour session) Interviews: 27 Participative interaction with key informants: 30 or more.	Qualitative analysis with the aid of field notes and digital recordings of interviews

This paper will focus on what is FL and whether FLE interventions meet their objectives as determined by the nature of FL.

5. Data Analysis

I found three major categories emerged: financial understanding and knowledge, financial capability and financial performance, as indicated in the table below; I decided to ignore ‘confidence’ as that might be misplaced, confidence and knowledge accuracy having been sometimes found to be “completely independent” (Forbes and Kara, 2010:1), and in any case this had received a negligible number of responses.

Table 2: Financial literacy as viewed by financial advisers

Category	What is FL?	Number of responses	Total	%
Knowledge and understanding				
1	Understanding/comprehension	57		
4	Knowledge/information/awareness	18	75	38
Capability				
5	Natwest definition	18		
7	Numeracy	8	26	13
Performance				
2	Money management	34		
6	Informed decisions	17		
10	Maximising income	4		
8	Handling debt	5		

3	Budgeting	27	87	45
Other				
9	Confidence	4		
11	Other	3	7	4
Total			195	100

I saw that the votes for the three major categories were (38%, 13% and 45% respectively). While a large number of financial advisers thought FL was a matter of understanding and knowledge, an even higher number thought it was financial performance, and a smaller number thought it was capability. It was also arguable as to whether the NatWest definition counted as capability or performance; though the definition commenced with the word ‘ability’, the emphasis seemed to be to ‘make informed judgements and take effective decisions regarding the use and management of money’ rather than some abstract ability not demonstrated in action, and If the NatWest definition were to be interpreted thus, the majority vote of 54% (45%+9%) of FAs would be for FL to be viewed as actual performance.

In the survey of FLE providers, key characteristics of FLE were perceived as “independent living skills” such as budgeting, debt management and income maximisation. During observation of FL courses it was noted that participants were given details of actual bank products and interest rates that needed to be considered while making financial decisions.

The research constituted the first time that financial literacy education provision in England was examined using the FSA framework; financial literacy education for financial literacy providers was the subject of a study; a financial literacy curriculum was categorised using the FSA’s baseline survey areas; and financial literacy curriculum components were explored within a new synthesis of ‘Competency Based Action Learning (CoBAL)’. This was a course curriculum that I had developed with the benefit of ongoing feedback from of policy makers, practitioners and educators (Lewin, 1946, Carr and Kemmis, 1986); this was made possible by my involvement as a member in a number of groups, wherein key individuals were engaged in interaction with each other in a collaborative manner (Bales, 1951). These groups included the FSA/Niace’s Advisory Group on FL for Older People, BSA/Niace’s Financial Literacy Accreditation Working Group (FLAWG), FSSC’s Providers’ Steering Group, Directorate/Council of the Teachers and Trainers of Financial Services (TTFs), and peer groups interested in Action Learning (AL) and curriculum exploration at LondonMet. I brought together the terms ‘competency’ and ‘action learning’ mentioned above by coining the word CoBAL to denote ‘Competency based Action Learning’ that combined the development of key competencies required to deal with financial matters in general, with Action Learning strategies required for use in varying individual circumstances. In my view, both these components were vital to an FLC, and complemented each other. CoBAL involves the recognition that learning “goes on every day” (Felstead et al., 2009:1) and competency is “attained through a combination of formal and informal learning” (Evans et al., 2006:179) This synergistic combination of competencies with AL was arguably a new synthesis of curriculum components and almost certainly the first to have been attempted in FLE, and geared to meet the objectives of FLE as defined by the nature of FL. During CoBAL exploration almost all participants were in favour of Action Learning that focused on improving actual performance. Interaction with key informants revealed that their prime concern was the vulnerable financial status of the people at whom FL interventions were aimed at.

During interviews of FLE providers and practitioners, while some respondents talked of FL in the manner of an intellectual discipline whose topics were “delivered” to participant receptacles waiting to be filled, others differed. As observed by one participant of an FL course, “I’ve

noticed that many people talk about FL... like they teach maths or English or geography. They don't understand that it is different from geography or history. It is behaviour, how you deal with money, and how you manage it, and the choices you make every day... more input in how to behave in relation to money...FL, I insist on the fact that it is a matter of life". Phrases such as "to take control of their own finances", "complete everyday financial transactions", and "it's a functioning thing" also seemed to capture the essence of FL. And as summed up by another participant, FL was "the end result of FLE".

6. Conclusions and recommendations

The conclusion of this paper is that FL is not so much a subject area that is taught and assessed in laboratory situations, but an outcome in the form of actual performance in relation to financial matters. FL is an outcome, the outcome of both formal and informal learning within and outside classrooms. Thus FL is more than literacy in the traditional sense of knowing how to read and write. FL is more than knowledge or information. While the FSA's preferred phrase for the past several years has been 'financial capability', FL is more than even capability. A distinction needs to be made between competence and competency: competence is the potential to perform, while competency refers to the behaviours that an individual must have, or must acquire, to input into a situation in order to achieve high levels of performance (McConnell, 1998).

The research question was: 'What is financial literacy?' Based on evidence arising, the conclusion of this paper is: financial Literacy is demonstrating capability in terms of actual performance in the financial world. Thus financial literacy is effectiveness of the individual's financial performance. Financial Literacy education would therefore be multidimensional education involving a host of complex factors relating to awareness, action, critical reflection and experiential learning that lead to more effective financial performance and experiences. Thus financial literacy education is education that enhances the effectiveness of the individual's financial performance. 'Assessment' in relation to an FLC would take place, not in a classroom situation, but in the real-life arena where financial decisions are actually made and assessed.

The findings show that financial literacy is perceived to be more than information, knowledge or even capability; it is the demonstration of competencies in actual performance in the financial world. However, this understanding of financial literacy is at variance with the actual financial literacy education interventions of financial advisers and financial literacy education providers, who continue to limit their provision to knowledge and informational inputs only. It was found that often financial literacy was misunderstood and educational interventions were ineffective because the financial literacy curricula were too simplistic.

There is need for recognition that FL is dynamic and complex; it is more than 'literacy' in the traditional sense; it is more than the possession of competence or capability; it is competency or the demonstration of capability in terms of actual performance in the financial world.

Many tutors viewed FLC as consisting of "information" on financial matters; there is a need to recognise that it is much more. FLCs need to be more effective, incorporating the development of a number of competencies including cognitive, numeric, attitudinal and behavioural competencies, with a view to improving the effectiveness and efficiency of FLE interventions. There is a need to avoid oversimplification and to recognise the complex and multidimensional nature of FL and FLE and FLCs.

FL course material needs to be subject to more rigorous scrutiny prior to acceptance and use. Scant attention had been paid to quality checking of material being offered to participants. A lot

of material appeared to be more suited to children learning how to prepare shopping lists and add up expenses, and too simplistic to be of much practical use to an adult wishing to improve FL. For example, display of “colossal” versions of credit cards and store cards already familiar to participants did not serve any useful purpose. Educational programmes need to focus on “areas where deficiencies exist” (Volpe et al., 2006). Prepared FLE material needs to be questioned and rethought rather than blindly accepted and perpetuated. There is a need to recognise the differences between adult learning and children learning within an educational system and for greater awareness of the difficulty as well as the importance of developing attitudinal competency among adults.

A greater number of and more comprehensive publications on ‘Personal Financial Literacy’ (Ryan, 2011, Madura et al., 2010, Ryan, 2007) seemed to be available in the USA than in the UK. There is a need for similar publications to be set within the UK context.

FL is currently based on simplistic assumptions. The one most frequently encountered was that people became trapped in debt because they did not know how to budget, and that if they knew how to add up income and expenditure accurately, they would be able to avoid debt. This needs to change, and the complexity of the real financial world acknowledged.

FL is more complex than it is made out to be. The current assumption, that everyone can become financially literate given a certain amount of basic financial information is flawed. In the real world information can be misrepresented, misunderstood, unknown and obscure, the human brain function variable, and human experience random and unpredictable.

FL was often talked about as a desirable state to achieve and reside in. Thus one was deemed to be either financially literate or financially illiterate. Initiatives for developing FL seemed to generally adopt an ‘illiteracy-as-a-disease’ analogy, and assumed a strict dichotomy between literacy and illiteracy rather than view FL as a continuum, where it would be possible to progress as well as regress. Such a dichotomous perspective could lead to the oversimplified premise that once basic skills were achieved, the disease was cured and the job was done (Durgunolu et al., 2003).

Many FLPs seemed to indicate that the needs of a particular group of participants would have to determine the knowledge/skills curriculum, and that generic case studies would need to be examined rather than participants’ own situations. The opposite needed to happen. Participants needed to be given knowledge and skills that were fundamental requirements for making informed decisions even if they were not aware of that need, and they should be urged to look into their own circumstances and formulate financial goals for the intervention to have any meaningful impact. While there can be no objection to case studies per se, “clearly, results from a case study have limited generalisability” (Baolu et al., 2004:367), and cannot be a substitute to individual goal-setting as many FLPs seemed to think.

While recognising the differing situational needs of individuals in relation to FL, it was found that a framework of common principles for an effective FLC was both desirable and feasible. An innovative curriculum synthesis called ‘Competency Based Action Learning (CoBAL)’ is put forward as an example of the kind of components that need to be brought together in an effective FLC for facilitating more effective financial decisions.

As a banker commented: “there is no money advising the poor”; bankers are interested in advising those who pay well, FLE being just a small gesture of charity sponsored by some banks as part of their CSR which has been described as “nothing but a mask, made up of glossy

brochures, beguiling speeches, and media-savvy ‘partnership initiatives’, crafted to hide the fact that corporations deny economic justice and sustainable environments to those who need them” (Schwarzkopf, 2009:118). Greater public policy support is needed, particularly for those who might have become “second-class citizens” (Temko, 2006, Green and Hulme, 2005:870), in the form of more effective educational interventions.

Financial education has huge benefits for consumers and to the economy as a whole (OECD, 2005b). “Wealth ownership and accumulation matter for everyone. Wealth can buffer economic crises, break the cycle of intergenerational poverty, and build capabilities of individuals and communities to live better in the long term” (Han and Sherraden, 2009:475). FLE can facilitate wealth accumulation, and continuing research in the area of efficacy in financial education is therefore very important (Anderson et al., 2007).

To use Obamaesque (2009) language, rigid beliefs about the inherent incompetence of the underclass have overruled basic principles of behavioural science, and special interests have overshadowed common sense; for the sake of providing equal opportunities for all to become financially literate there is a need for commitment to change. The recent OECD-IEFP Symposium on Financial Education assembled high-ranking officials and decision-makers from around the world to discuss and elevate international policy dialogue on the importance of FLE as one of the possible global long-term responses to the recent financial crisis (OECD-IEFP, 2009). Ultimately, effective FLE that leads to a reduction in inequalities will benefit nations as well as individuals; it has been found that the diversity of human capital induced by income inequality always lowers the GDP of the next period, while the diversity of human capital induced by heterogeneous ability can increase GDP (Takii and Tanaka, 2009).

In 2000, the AdFLAG Report stated: “there is no clear definition for adult financial literacy”. In 2010, ten years later, the position remained unchanged, and (Remund, 2010:276) put forward “The Case for a Clearer Definition”. It is submitted that the “clearer definition” of financial literacy proposed in this paper “should improve future research, in turn helping consumers better understand and adapt to changing life events and an increasingly complex economy” (ibid).

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Appendix 1: Questionnaire completed by financial advisers (a completed sample)
NIACE Survey – FL(Older People)

Institutions and organisations offering services/information/advice on financial matters
May 2001
No: 45

Name of company/organisation:
HSBC Bank Plc

What is your understanding of the term ‘financial literacy’?

The ability to understand and demonstrate how to manage all aspects of money

What do you consider to be the most important financial issues for people over the age of 50?

Planning for retirement
Planning healthcare (protection against consequences of ill-health, accident or death)
What to do with more disposable income
Managing personal income based on receiving pensions
Inheritance tax / planning

What do you feel to be the most important financial issues for younger people to consider in relation to their later life?

Definition of younger people?
Buying a home - mortgage
Providing for retirement - pension
Savings and Investments – Cash. Equity based
All above are dependant on personal circumstances and life stage

What does your company/organisation currently do/plan to do, to discover or address the financial issues most relevant to older people?

Market research is currently being undertaken to understand: financial views, behaviour, perceptions and attitudes most relevant to older people particularly the “empty nesters” and retired.

Are you aware of any specific strategies for problem-solving which older people use day-to-day in relation to financial matters?

No

If so, how do you utilise this information?

Not applicable

Do you produce any specific literature/materials on finance aimed at people over 50? (Please itemise and enclose samples)

No

How do you use Information Technology to inform older people about financial matters? Please send us some illustrations with details on levels of usage?

HSBC has its own web site which any person may access: www.hsbc.co.uk

Have you any other comments on financial literacy?

HSBC are sponsors of Money Advice Trust. We also sponsor and are on the board of Money Management Council. These provide advice and services across all age and social economic groups.

We support the education of young people in various ways. Many of our sponsorships and donations are aimed at raising the standards of financial education and awareness in secondary schools.

We may wish to contact you to follow up your response. If you are happy for us to do this, please state:

Contact name:

Helen Reid

Telephone number:

0207 260 6119

It is our intention to use comments expressed, in promoting the project and within the final report. If you wish your comments to be unattributable, please tick this box.

Please enclose any literature or publications which you consider relevant to the purposes of this research.

Enc:

Appendix 2: Summary of NVivo analysis

node	docs
(1) /Financial Literacy	
Understanding ~ comprehension	57
Money management	34
Budgeting	27
Knowledge ~ information ~ awareness	18
Natwest definition	18
Informed decisions	17
Numeracy	8
Handling debt	5
Confidence	4
Maximising income	4
Other	3
(3) /Financial Issues for older people	0
Pensions	49
Retirement planning	44
Balancing reduced income with expenses	36
Benefits-access & entitlements	27
Health	24
Savings and investments	22
Long term care	20
Debt management	19
Unemployment	16
Home, housing	13
Funeral plans, wills, widowhood	9
Lack of understanding	7
Other	7
Children, inheritance tax	7
Insurance	5
Tax matters	4
Relationship breakdowns	3
Adapting to changing circumstances	1
(4) /Financial issues for younger people	0
Pensions	72
Debt management & avoidance	32
Housing, mortgage	32
Retirement, long term planning	27
Savings and Investments	23
Budgeting	22
Understanding	16
Healthcare	10
Insurance	9
Financial knowledge, advice	9
Education	9
Inability to think ahead	7
Family	7

Long term care	6
Other	6
Unemployment	6
Relationship breakdown	3
Taxation	1

(5) /Present, planned action for older people

Present action

Advisory service	47
Debt counselling	29
Maximise welfare benefits	27
Help with financial problems	16
Nothing	14
Liaison with other agencies	14
Influence social policy	14
Information service	11
Other	10
Training	6
Nothing specific for older people	5
Home visits	5
Do not give investment advice	5
	203

Planned action

Nothing	14
Nothing specific for older people	5
FLprogrammes	2
Other	1

(6) /Awareness of strategies used by older

Not aware of any strategies by older	43
Consult advice agencies	21
Budgeting	14
Set money aside	12
Borrowing	11
Avoid debt	11
Cutting down on fuel, food, etc~	9
Other	9
Use of payment schemes	8
Consult people	6
Equity release	4
No specific strategies	4
Shop around for best deals	3
Investing	2
Use information sources	2
Learn from past experience	2
Keep money at home	1
	162

(7) /How utilise information

No response, not used	58
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Provide advice	11
Other	11
Debt counselling, mgmt, mediation	10
Provide information	9
Maximise benefits	8
Provide assistance	5
Social policy work	5
Persuasion re rights	2
Offer financial services	1
	120
(8) /Produce specific material on finance	
No	73
Use material produced by others	19
Nothing specific for people over 50	13
Through NACAB	6
Other	6
Debt counselling	4
Computerised information system	1
(9) /Use of IT	
No	47
Through NACAB	19
Provide websites and computers	14
Electonic Information Systems	14
Information system for benefits	10
Debt advice system	7
Nothing specific for older people	6
For financial statements	6
Other	3
Email advice	2
Information system for tax	1
(10) /Any other comments on FL	
No comments	41
Need for all age groups	18
Other	13
Pressure to borrow, debt culture	12
Need for education in school	11
Need for financial literacy	10
Problems of jargon and complexity	6
Misselling, lack of mpartial advice	5
Running FLprojects	5
Poor quality journalism, literature	2
Increasing in importance	2
Older people need to seek help	1
Neglected area	1
Need numeric skills	1
Passed on within the family	1
	88

Appendix 31: Abbreviations

AdFLAG	Adult Financial Literacy Advisory Group
ANZ	Australia and New Zealand Banking Group
CoBAL	Competency based Action Learning
FAs	Financial advisers
FIs	Financial institutions
FL	Financial Literacy
FLAWG	Financial Literacy Accreditation Working Group
FSA	Financial Services Authority
FSSC	Financial Services Skills Council
FLE	Financial literacy education
FLC	Financial literacy curriculum
FLP	Financial literacy practitioner / FLE provider
FSA	Financial Services Authority
HSBC	Hong Kong and Shanghai Banking Corporation
NFER	National Foundation for Educational Research
NIACE	National Institute for Adult Continuing Education
NRDC	National Research and Development Centre for adult literacy and numeracy
OECD	Organisation for Economic Co-operation and Development
PACFL	President's Advisory Council on Financial Literacy
TIFS	Teachers and Trainers of Financial Services