Workshop

Financial Literacy: What Is It and Why Is It Important?

Friday, March 21, 2014 from **1:00-4:30 pm**

Room 432
St. Andrews Building
11 Eldon Street
University of Glasgow
Glasgow, G3 6NH

Programme

1:00-1:15: *Welcome and Introduction*, **Professor Mike Osborne**, School of Education, University of Glasgow

1:15-2:00: *Financial Literacy: The Big Research Issues,* **Professor Robert Wright**, Department of Economics, University of Strathclyde

2:00-2:45: *Financial Literacy and the Curriculum for Excellence*, **Dr. Cathy Fagan**, School of Education, University of Glasgow

2:45-3:15 Coffee Break

3:15-4:00 *Financial Literacy and Economic Behaviour*, **Dr. George Panos**, Economics, University of Stirling

4:00-4:30: *Q and A Roundtable,* Chaired by Mike Osborne

4:30: Close

Workshop organised by
Mike Osborne (michael.osborne@glasgow.ac.uk) and Robert Wright (r.e.wright@strath.ac.uk).

There is no cost to attend but those wishing to attend must contact us by sending an RSVP to:

cradall@glasgow.ac.uk

Your e-mail will be acknowledged and your place confirmed – only confirmed places are available. Enquiries can be directed also to the CR&DALL e-mail address.

Abstracts of Presentations

Financial Literacy: The Big Research Issues - Robert Wright,

Financial literacy is the ability to use knowledge and skills to effectively manage financial resources at a personal-level. It is more than numeracy--"being good with numbers". . It includes for example the understanding of compound interest rates, nominal and real interest rates and financial risk diversification. Low financial literacy has been used to explain the high level of indebtedness amongst lower socio-economic groups in high-income countries. For some it is considered to be one of the “next big topics” in the economics of education research. This paper has five objectives. The first is to explain what financial literacy is and how it differs from other types of skills and human capital. The second is to discuss how it is measured in survey research, with particular reference to internationally comparable measures. The third is to present some estimates of the variation in financial literacy observed across countries and across socio-economic groups. The fourth is to consider the policy challenges faced by low levels of financial literacy. The fifth and final objective is to discuss several Scotland-based projects concerned with financial literacy.

Financial Literacy and the Curriculum for Excellence - Cathy Fagan

Post the 2008 crisis, there is an increase in interest in developing the financial literacy of populations in the hopes of engendering more resilience to the vagaries of fluctuating financial markets. Education is a major conduit for this type of project and so education policy and practice are being developed in response. The OECD has researched and reported on financial education policies and projects internationally and on national strategies for improving financial education. In Scotland, where we aim to promote financial capability, this has been subsumed into the development of a new school curriculum, which looks at learning in a holistic manner and at how all areas of the curriculum can contribute to the development and flourishing of the human person. This raises interesting questions for economics and financial educators, as it does for all educators, in considering moral aspects of curriculum development and pedagogical practice, and will be the focus of this presentation. There is a great deal of potential for research into educational policy and practice where economists and educators can support and inform each other’s aims.

Financial Literacy and Economic Behaviour - George Panos

The ability of consumers to make informed financial decisions improves their ability to develop sound personal finance. The two works presented use panel data set from Russia to examine the importance of financial literacy and its effects on economic behaviour, in terms of financial and real outcomes, including pension plan choice. In the Russian economy household debt has grown at an astounding rate and private pension plan participation was almost non-existent in the past. Even though consumer borrowing increased very rapidly in Russia, only 41% of respondents demonstrate an understanding of interest compounding and only 46% can answer a simple question about inflation. Financial literacy is positively related to participation in financial markets and negatively related to the use of informal sources of borrowing. Moreover, individuals with higher financial literacy are significantly less likely to report experiencing a negative income shock during 2009 and have greater availability of unspent income and higher spending capacity. The relationship between financial literacy and availability of unspent income is higher in 2009, suggesting that financial literacy may better equip individuals to deal with macroeconomic shocks. Moreover, financially literate individuals are 30 percent more likely to plan for retirement using private pension plans and products.