



What works? Financial education programs and their effectiveness

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Overview

(1) What is the problem?

(2) What do we know?

(3) What can we do?

(4) Comments, suggestions, questions?



What is the problem?

Need for Financial Literacy Education (FLE)

- Financial environment has become dramatically more perilous
- Financial literacy as factor of avoiding financial risk
- Financial literacy as prerequisite to take advantage of financial opportunities

- ▶ **High political interest** in fostering FL through educational programs
- ▶ **Open question:** Is faith in FLE substantiated by evidence of impact?

What do we know?

Results from literature reviews and meta-analyses

- ✦ Conventional FLE programs seem to have no or rather small effects on financial behavior.
- ✦ In particular, financial knowledge (as typically measured in FL assessments and taught in FLE programs) seems to have limited impact on financial behavior.

e.g., Miller et al., 2014; Fernandes, Lynch & Netemeyer, 2014; Xu & Zia, 2012)

What do we know?

3 possible interpretations

- (1) Financial education is not the right remedy to solve the problem
- (2) Available instruments for measuring financial literacy and financial behavior are not adequate
- (3) FLE programs need to be designed, developed and evaluated in a different way

What do we know?

Additional information from literature reviews and meta-analyses

Effectiveness of FLE programs seems to depend on

- customization with regard to intended financial behavior
- customization with regard to target group and “just-in-time” delivery
- inclusion of “soft variables” (e.g. beliefs, attitudes, interests and emotions)

e.g., Miller et al., 2014; Fernandes, Lynch & Netemeyer, 2014; Xu & Zia, 2012)

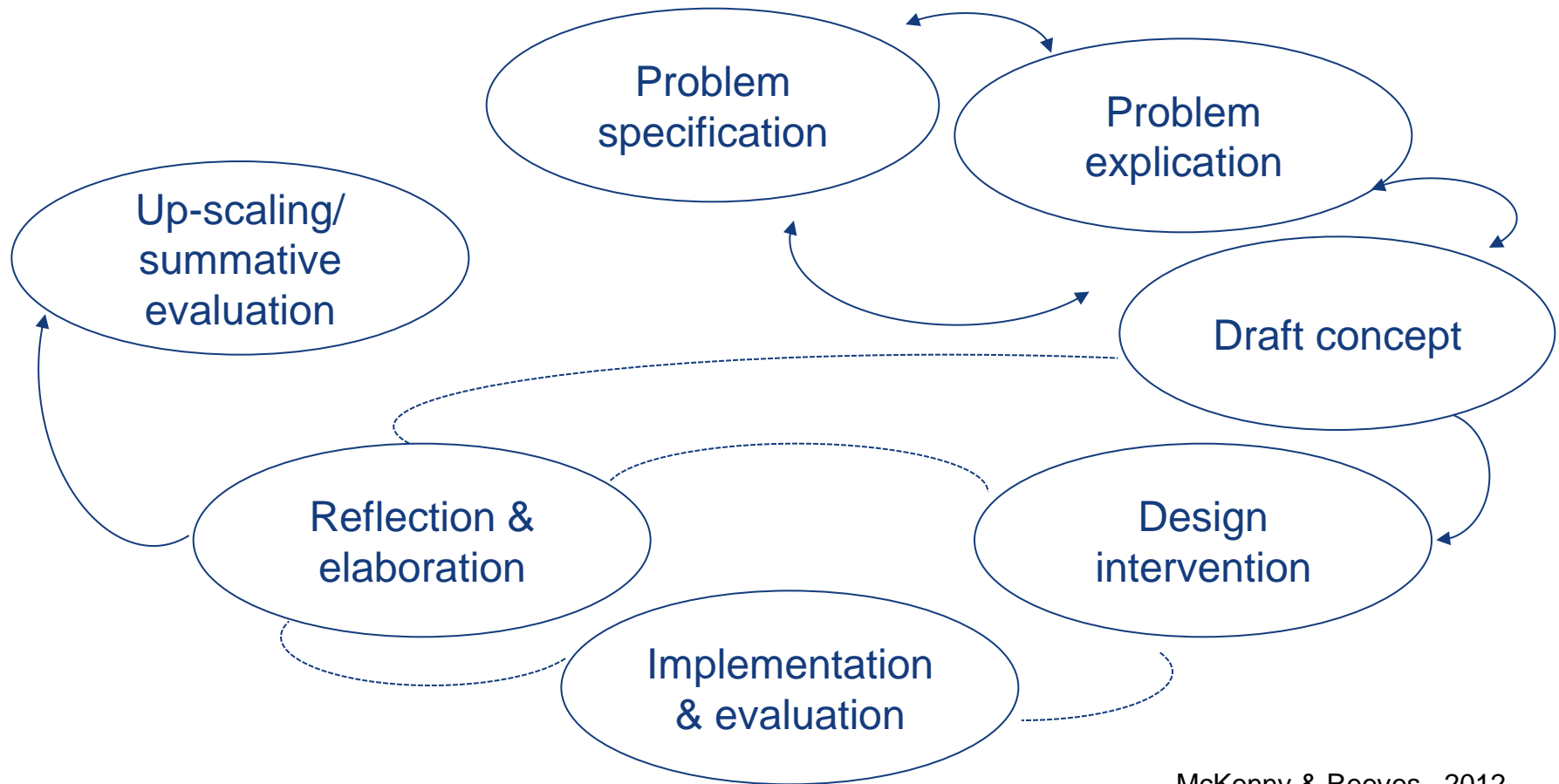
What can we do?

An example from the project “Fit for Finance”

- Three **partners** from educational research, educational practice and financial sector (co-funded by the State Secretariat for Education, Research and Innovation SERI)
- **Overall project aim:** Development of a holistic and educationally sound instructional concept for supporting financial literacy in VET schools
- **Alternative design development and evaluation strategy:** Design-based research and subsequent up-scaling (RCT)

What can we do?

Alternative evaluation strategy: Design-based research and subsequent up-scaling



McKenny & Reeves, 2012

What can we do?

Draft concept:

Definition of the target dimension

Financial competence, i.e. a potential which enables a person

- a) to adequately plan, implement, control and evaluate personal financial decisions, and
- b) to embed these decisions within the broader systemic context as well as to critically reflect this context.

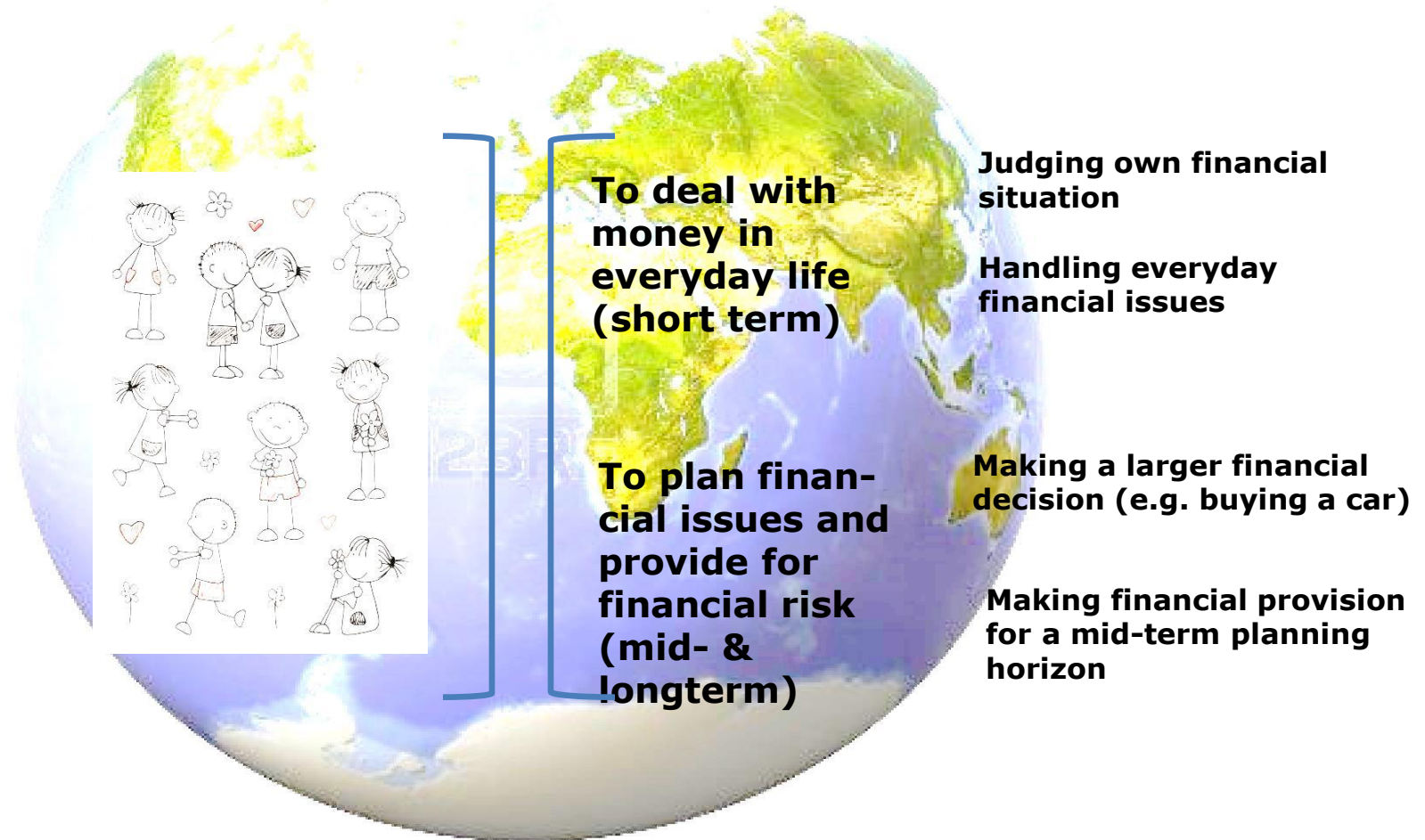
This potential is based on the activation and interaction of mental dispositions (knowledge, skills, interest, attitudes etc.).

Apra & Wuttke, in press

What can we do?

Draft concept:

Description of intended behaviors



What can we do?

Draft concept: Preliminary design principles

- ✓ Explicating multiple (i.e. cognitive and non-cognitive) aspects and systemic (i.e. macro-economic and socio-cultural) embedding
- ✓ Making visible personal concern and responsibility
- ✓ Providing learning tasks to support the development of flexible knowledge and skills
- ✓ Animating reflection (esp. beliefs, attitudes)
- ✓ Stimulating transfer into everyday life

What can we do?

Design and implementation: Exemplary learning arrangement

- Introduction
 - Discussing money and finance in pop music
 - What does money mean in my personal life?
- Knowledge acquisition and application
 - Elements of a budget
 - Keeping a personal budget for one week (homework)
- Reflection
 - Feedback on personal budget
 - Exchange and comparison of budgets
 - Critical reflection: Which expenses were necessary and why?
- Transfer and broader embedding
 - Making budgets for different future scenarios
 - Reflection of how different economic and societal trends may influence the risk of over-indebtedness
- Closing
 - Composing and presenting a money rap

What can we do?

Evaluation methods

Instruments

- Self-report and test (pre/post) with students
- Interview with teacher

Sample

- 23 subjects in 1st year of apprenticeship for becoming an automation specialist
- 21 male
- Age: 15 to 17 years ($M = 16.04$, $SD = 0.77$)
- 21 CH / 1 IT / 1 TRK

What can we do?

Evaluation results

- **Self-judgement of own knowledge and skills on money and financial issues**
Pre: 65% high/very high Post: 96% high/very high ($Z = -2.714, p < .01$)
- **Realistic case „Budgeting“ (relevant concepts, making a budget)**
 - Difference between simple concepts (e.g., revenues, expenses) and more specific ones (e.g., fix and variable costs, accruals)
 - For all concepts there is an improvement between pre-/posttests; these differences are significant for the specific concepts
 - Significant improvement of budgeting skills;
Pre: 9% encompassing/realistic Post: 65% encompassing/realistic
($Z = -3.710, p < .001$)
- **Students' perceptions of lesson utility**
 - Sustained interest in money and financial issues (78%)
 - Relevant for my everyday life (74%)
 - Instructive with regard to budgeting and esp. the necessity of accruals (65%)

What can we do?

Reflection

- Learning arrangement seems to be interesting and instructive.
- Learning arrangement seems to contribute to more consciousness with regard to financial issues.
- Especially VET students with relatively high cognitive prerequisites seem to profit from the learning arrangement.

What can we do?

Next steps

- Refinement of available learning arrangements, and then promotion of more rigid intervention studies at a large(r) scale
- Development, implementation and evaluation of learning arrangements for other types of financial behaviors and for other target groups
- Development of teacher/trainer education concepts and modules

What can we do?



Forth
Coming

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International Handbook of Financial Literacy

 Springer

Comments, suggestions, questions?





Thanks for your attention!

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http://www.wipaed.uni-jena.de/Lehrstuhl_fuer_Wirtschaftspaedagogik.html

<http://www.flinevet.eu/>

<http://www.financial-literacy.fit/>