



University of Vaasa

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Financial literacy of the youth:
what role for economic
education?

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Finnish-Danish network meeting

Financial literacy of the youth

- The financial literacy of the youth (perhaps defined as someone between 18 and 35) is often lamented:
- Financial literacy low
- High degree indebtedness
- High risk of falling prey to predatory lenders
- Perhaps a carefree attitude to life in general
- Income relatively low (though expected to increase over time)
- Note the life-cycle effect

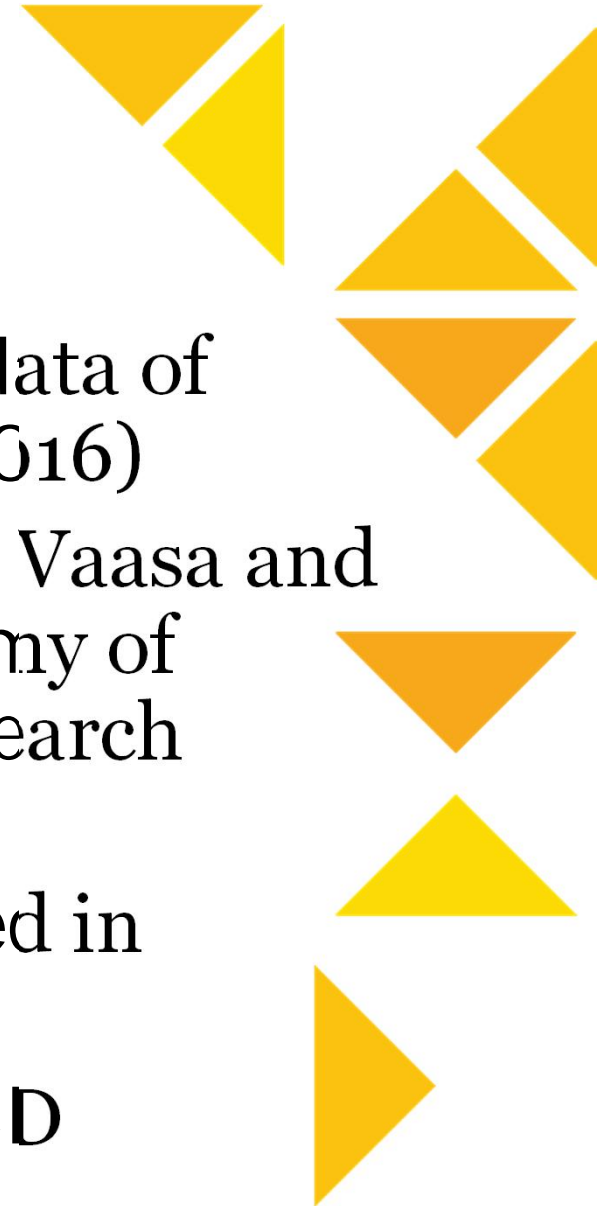


The question I received from the organizers

- What kind of attitudinal education (asennekasvatusta) and what kind of economics (taloustieto) one should teach to the youth?
- Before going to that, some remarks how the financial literacy of the youth looks like in Finland

What does the data show?

- I base my presentation on the data of Kalmi and Ruuskanen (KAK, 2016)
- Collected by the Universities of Vaasa and Tampere, funded by the Academy of Finland and several private research foundations
- Face to face interviews, collected in February-April 2014
- Modelled according to the OECD methodology



The results in general

- Finns have a high degree of financial literacy and good financial behavior, compared to the countries in the OECD (2011) pilot exercise
- The youth as somewhat problematic group both in terms of financial knowledge and financial behavior
- In the following, I present some new results, where the age group 18-35 is divided into two parts: 18-25 and 26-35 years old

Financial knowledge

Age Group	Financial knowledge index
18-25	4,40
26-35	5,19
36-50	5,21
51-65	5,16
66-	4,58

Proportion overindebted

Age Group	% overindebted
18-25	5,28
26-35	25,77
36-50	17,79
51-65	11,52
66-	2,96

Has run out of money in the past 12 months

Age Group	% run out of money
18-25	36,68
26-35	44,22
36-50	37,17
51-65	23,12
66-	5,73

Has taken quick loans

Age Group	% taken quick loans
18-25	4,18
26-35	8,77
36-50	6,41
51-65	6,32
66-	1,58

Makes a budget

Age Group	% making a budget
18-25	26,18
26-35	24,93
36-50	29,10
51-65	29,33
66-	25,09

Some conclusions

- The age group 18-25 has the lowest financial knowledge; however, in terms of financial behaviors (such as overindebtedness or use of quick loans) is actually not doing that bad
- On the other hand, 26-35 years old have relatively high knowledge, but the "worst" behavior
- One example that the relationship between knowledge and behavior is complex

Teaching at schools

- Some options
- 1) Economics (personal finance management) as life-skill
- 2) Economics as the study of the economy as part of society
- 3) Economics (macro- and micro-) as a precursory for university-level studies
- All of these are obviously related
- What should be emphasized?

My own work with schools

- I have evaluated to programs for school kids
- Yrityskylä, targeted to 6th grade of the primary school
- Centers on simulations of economy with work and enterprise; centers on 1) and 2)



My own work with schools

- Oma Onni, targeted to 9th grade of the lower secondary school
- An internet-based learning environment with games
- Focuses especially on topic 1)



What do the studies show?

- Both programs yield increases in economic knowledge
- Neither of the appears to result changes in self-reported savings behavior *on average*
- In Oma Onni, boys know initially more but girls catch up during the education
- Both programs do get enthusiastic responses from students and teachers

Game-based learning

- Game-based learning, whether through mobile plays, internet-based learning environment or role plays, seems to be the right way to teach
- Need to have attractive teaching materials that the teaches can use; requires substantial resources
- Collaboration between enterprises and educators



Focal areas

- It is essential that students get an understanding of the economy both from personal financial management perspective and as part of wider society
- In contrast, I am not sure that introducing university (or college) economics even to high schools is a good idea
- Not that it is worthless (remember that I *am* university economics teacher) but because of opportunity costs
- In this, the Finnish economic curriculum and its change of direction seems to be about right

Attitudes

- Here I would be more cautious
- Prudence is a virtue, but not the only one
- Perhaps understanding through role plays or drama what it means to be overindebted
- Remember also the life-cycle effects





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