

# Preface

Education is the most powerful weapon which you can use to change the world.

Nelson Mandela

Financial education leads to financial literacy and to financial capability. Financial education is regarded as a core component of the financial empowerment of individuals. This is the conviction of many scientists and public authorities. But the understanding what has to be done and what are the most effective activities and programs differs very much within and between countries. Furthermore, the terms were used by different organisations and authors in different ways and have taken on a variety of meanings. The term financial literacy is often used to summarize knowledge, skills, attitudes, behavior, abilities and motivation which are effectively used to achieve a personal financial well-being. Financial education whether is done by parents, school or other media is the driving force to gain financial well-being. Financial education has always been important for households in helping them budget and manage their income, save and invest efficiently, and avoid becoming victims of fraud. Having regard to the fact that as financial markets become increasingly sophisticated and households assume more of the responsibility and risk for financial decisions, especially in the field of retirement savings, financial education becomes more and more important. All over Europe many young adults aged 18–25 years are over-indebted. Very often they become over-indebted because of bad household management, unfavorable mobile phone contracts, fines due to missing public transport tickets, too many online orders, unpaid loans and in general due to a consistent low income situation. Financial education when they are still at schools intends to prepare the youth better for the challenges of life and to avoid over-indebtedness.

Therefore the University of Szczecin, SKEF (Association for Promotion of Financial Education) and the GP-Forschungsgruppe (Institut für Grundlagen- und Programmforschung) have started this joint research project. It has a two-fold approach. First, the landscape of existing programs for financial education and literacy was pictured in both countries. Especially it was described how these programs are used in school which is in a relevant way not only determined by availability and resources but by the school system as well. The differences between the Polish and German school system have to be taken into consideration. The second part covers the empirical analysis of financial education. Despite the importance of the subject, the academic literature has given limited attention to how financial education is measured. Therefore the authors made a review to find out which tools used in international studies were appropriate. Most of the research focusing on financial awareness and financial literacy was based on the use of questionnaire surveys. After discussing the pro's and con's and considering all the doubts concerning the ways of reaching young respondents, in the presented study on financial

awareness of young Poles and Germans the authors decided to use the traditional auditorium survey method/classrooms survey (PAPI).

The surveys were conducted with more than 2,000 students of the 10<sup>th</sup> classes (or equivalent) in Polish and German schools. By these surveys, information has been collected about the status of financial knowledge, skills, attitudes, behavior and information needs. As the results show there are not many important differences between Polish and German students regarding financial knowledge, skills, attitudes and behavior. In general, the students have a very high opinion of their financial knowledge and managing capabilities. It should be considered that the majority of students internalized the virtue of thrift in their parental home. As a result, only very small group of students have debts and, if so, they owe money to their parents and family members. But below 10% of the students, according to their self-perception, experience precarious financial situations as their money does not last until the end of the month and they have to borrow money or suffer money problems. All students express specific needs for financial information, e.g. possibilities for increasing the income and reducing expenditures or about the costs related with the ownership of cars.

In summarizing the results the authors conclude that financial knowledge, skills, attitudes, behavior and needs are determined on one hand by the socio-economic situation in a country on the other hand on the circumstances of the specific life situation of the students. The financial prevention activities should be closely linked to the evolving lifestyle of young adults. That means students should be taught how to negotiate contracts, explained the obligations of the contracts, the financial consequences of getting and owning a car, leaving the parental home and founding their own household etc. – before they reach the age of majority. The project partners consider in their recommendations that this process needs the allocation of adequate resources, the preparation of teachers to lead financial instruction, the practice relevance, the involvement of parents and the age-appropriateness of the educational programs. As in many other countries Poland and Germany should create a national strategy for financial education. By this the lack of coordinated actions at the level of the whole country could be avoided. However, the implementation of a national strategy faces for the two project countries the fact that the Polish school system is centralist whereas the German system is federal. This difference has consequences for the implementation of curricula as well as for the conduction of research studies. Knowledge and financial skills, are also part of the concepts of information society and knowledge economy. Therefore, all institutions, both formal and informal, should be interested in building appropriate financial knowledge of all social groups, but especially of their young members. The improvement of financial education of the youth and young adults is important. However, it should not be forgotten that people get indebted primarily due to various adverse conditions and circumstances of life. The prevention of conditions has therefore to be seen as equal to the prevention of behavior.

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