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Banks and Credit Unions as Providers of Financial Literacy: A complex relationship

Panu Kalmi and Olli-Pekka Ruuskanen

Abstract

Banks and credit unions have become very active in the provision of financial education initiatives. There has been some skepticism regarding how genuine these initiatives are, given that financial institutions may benefit from customer misperceptions. However, financial institutions can also signal their trustworthiness with these campaigns, which may also be an important part of their social responsibility programs. Financial education also has implications for relationship banking. A bank's mission might also be a significant determinant of the type of financial education initiatives in which it engages. In this article, we review the various pros and cons of the involvement of financial institutions in financial education and try to understand why financial institutions engage in financial education. We also provide examples of financial education initiatives from Europe and the US.

Keywords: banks, credit unions, financial literacy, financial education, corporate social responsibility

1. Introduction

Consumers face various financial decisions in which they might have difficulty determining the optimal action (Campbell et al., 2011). Examples include what kind of mortgage to choose, what type of investment assets to purchase, whether to take out a high-interest rate loan, or whether to put money into various retirement savings instruments. These are all examples of imperfect information: consumers are uncertain about what choice they should make.

Many of these financial decisions are made together with a bank or a credit union. This relationship is characterized by asymmetric information and unequal bargaining positions. The complicated nature of financial products makes informed decisions difficult even in the case of knowledgeable consumers. This situation makes it possible for financial institutions to exploit the consumer to their own advantage. The number of scandals, especially during and in the aftermath of the 2008 financial crisis, eroded trust in banks (Fungacova et al., 2019).

This situation has led to an increase in financial education initiatives by individual banks, financial sector trade associations and government bodies. What is their motivation to engage in these activities? Do they benefit banks' business strategies, or are they examples of corporate social responsibility? Do financial institutions truly benefit from correcting customer misperceptions? This article investigates the role of banks and credit unions in promoting financial literacy in today's developed countries.¹ The purpose of the article is to investigate

¹ This paper concentrates on the relationship between banks and customers in developed countries. However, banks and microfinance institutions have an important role in promoting financial literacy in developing countries. (For discussion about financial literacy and access to finance see Karakurum-Ozdemir et al., 2019;

different reasons why banks and credit unions engage in financial literacy promotion. We also draw on interview evidence with various experts to analyze the reasons for these actions and provide some prominent examples from the banking industry.

The paper starts with a discussion of the conflicting interests that may arise between customers and financial institutions and how financial literacy can provide one solution, alongside regulation and consumer protection, to mitigate the problem. Then, different components of financial education by banks and banks' incentives to engage in that type of activity are discussed. The role of education provision and its connection to relationship banking and ownership forms are also investigated. Financial education may also be seen as part of the corporate social responsibility activities in which banks are engaged.

Next, some examples of bank involvement in financial education in the US, Europe and the particular case of Finland are discussed. The paper ends with a discussion of the future role of banks in financial education. In addition to internet searches, we also conducted several interviews with specialists that shed light on the relationship between financial education and financial literacy.

2. Financial education by banks and credit unions

The role of financial literacy in consumer protection

Consumer behavior is likely to be determined partly by the level of financial literacy of the consumers and by the trust they have in financial institutions. There is now a large body of literature on financial literacy that shows that consumers have problems even dealing with relatively simple questions related to interest rates, inflation and risk diversification (see the survey by Lusardi and Mitchell, 2014). In real-life situations, where this knowledge needs to be applied, the problems are likely to be even more pronounced.

Given these challenges, consumers might easily follow the default option and do whatever the bank salesperson recommends. However, how can a consumer be sure that the employee is not taking advantage of consumer ignorance? This possible reluctance to take the seller's advice is often observed in financial literacy surveys. For example, in a nationwide survey conducted in Finland, 58 percent of respondents indicated that they ask for outside advice, most often from a friend or relative. Only 13 percent sought expert advice. However, 44 percent stated that they do not compare different products before decision-making, which would indicate that almost half of consumers settle for the first offered product (Kalmi & Ruuskanen, 2016).

One solution to limit the possible exploitation of consumer ignorance has been financial and consumer regulation. Examples include stipulating information sharing between parties and putting some contractual limitations in place (e.g., interest rate ceilings in consumer loans). However, regulation can only limit the degree of unfair contracting into which the parties enter; it does not abolish unfairness altogether.

Cull et al. 2013) However, the unequal bargaining position between parties can be even more pronounced in countries with low financial inclusion and weak or nonexistent consumer protection laws. The research has highlighted more often the positive sides of increasing financial access in developing countries and there has been less emphasis on the possible exploitation of the banked population.

Heavy regulation also clashes with the contractual freedom of parties and should not be overused. One problem is also that, in financial contracts, it is easier to observe ex post that a contract leads to an unequal outcome than to observe ex ante that an unequal outcome will likely be the case. In any case, consumers cannot be absolved of all responsibility in contracting.

The limits to regulation and the special nature of financial services as contracts have led to an increase in the number of financial sector ombudsmen in different jurisdictions. In many countries, they are part of the consumer ombudsman's office, but in others they are independent or part of the financial regulatory authority. They act as complaint offices and offer arbitration services between customers and banks.

According to Elina Antila from the Finnish Financial Ombudsman Bureau (FOB), the largest amount of dissatisfaction is not caused by the advice given or products sold but by the push to use digital channels and the unavailability of personal services. Additionally, fraud and phishing in digital channels are issues that raise concern among customers.

The legal framework, on the one end, and the conflict resolution mechanism provided by the consumer ombudsman, on the other, leave room for various activities by market participants that facilitate transactions by building trust and educating customers.

The role of banks and credit unions

The solution that combines the elements of financial education and trust in banks is *financial education by banks and credit unions*. In this article, we define financial education by banks as all measures taken, individually or collectively, by banks and credit unions to enhance the ability of their customers or general audience to conduct their personal financial management.

In turn, financial literacy is defined by the OECD as “[a] combination of awareness, knowledge, skills, attitude, and behaviors necessary to make sound financial decisions and ultimately achieve individual financial wellbeing” (OECD/INFE, 2011).

This definition implies a number of issues that relate to the financial education offered by banks. First, banks can concentrate on a specific area of financial literacy in their educational activities, in which they attempt to influence the attitudes that people have about money, consumption and savings. They can try to increase knowledge of general concepts and different features, or they can encourage people to engage in sound behaviors. Table 1 describes the taxonomy of different levels of activity in relation to different components of financial literacy.

The choice of the group at which financial education is targeted also has implications. A bank can direct educational activities to its currently existing or potential customers. It can also target activities at groups that include possible future customers, such as young people. A financial institution may also target disadvantaged groups in their financial education efforts, even if they were not the most preferred group of customers. The conflict-of-interest problem mainly arises from the first group, while the latter groups have implications for corporate social responsibility.

An important distinction when educating existing customers is whether the education targets product-level literacy or general financial literacy. Both empower the customer vis-à-vis the bank, but product-level literacy can be more problematic from the viewpoint of the bank

because better awareness of the product terms and offerings of other providers may ultimately harm bank profits.

It is also important to observe whether the topic of financial education is such that the bank can suffer from an incorrect decision made by the customer or whether the bank will suffer no consequences from that decision. An example of the former is a loan, where the default of the customer will mean the loss of capital and credit impairment to the lending bank. Good examples of the latter are all fee-generating services, such as investment advice and the sale of related products.

A number of criteria could be used to evaluate whether a financial decision made by the customer can be considered sound. For example: Does the financial decision properly solve the customer's problem? Does the financial decision's risk profile correspond to the risk appetite of the customer? Can a customer be expected, in normal circumstances, to be able to honor the commitments entailed by the financial decision without harming the customer unreasonably? In the worst case, will the negative consequences of making the financial decision be disproportionate to the utility received from the decision during normal economic conditions?

According to Campbell et al. (2011), banks are perhaps the most efficient providers of financial education. This is because banks closely observe the financial behavior of their customers. Therefore, they also obtain information about the possible challenges the customers may face in their financial decisions, and they can use their knowledge to identify common challenges of financial literacy. While banks obviously need to respect customer autonomy in decision-making, they can organize their financial education sessions to highlight the topics with which their customers struggle. This result requires, however, a longer relationship between the customer and the bank. This situation is called relationship banking.

However, an apparent challenge to and critique of the banks' role comes to mind. If banks have an informational advantage over the customers from whom they can profit, why would they voluntarily dilute that advantage by helping their customers become more informed? A powerful criticism of financial education efforts in general, including programs initiated by banks, has been put forward by Willis (2008; 2011). According to her, financial education by banks is mostly a marketing gimmick to attract new customers. As she reasons, banks have an incentive to keep financial education ineffective. For instance, banks benefit if customers do not compare loan or deposit prices. Careless financial management may also yield bank revenues in the form of overdraft fees or other types of late payments.

At this stage, it is important to note that one of the arguments by Willis (2011) was that financial education in general cannot be effective. Some early literature suggested that financial education did not have an effect on any relevant outcomes, such as financial behavior or even financial knowledge (Mandell and Klein, 2009, Cole et al., 2011; Fernandes et al., 2014). However, more recently, there has been an influx of new literature and experimental interventions concerning financial education, which shows that this is not the case and financial education indeed has effects both on knowledge and behavior (see the meta-analyses by Kaiser and Menkhoff, 2017; 2020; Kaiser et al. 2020).

Financial education and relationship banking

To analyze this conflict of interest, one can turn to the relationship banking literature. Indeed, the results derived from the relationship banking literature give rise to a number of interesting

viewpoints when reviewed from the perspective of financial literacy. Boot (2000) defines relationship banking from the banks' perspective as investments aimed at obtaining customer-specific information and evaluating the profitability of these investments through multiple interactions with the same customer. When there are costs to monitoring and screening a customer, banks are willing to incur these costs if they can recoup them during a longer relationship.

If asymmetric information is prevalent and the risk profile of the customer is costly to verify by a third party or difficult for the customer to demonstrate, then this situation leads to a lock-in, where a bank is able to collect rents from the relationship (Freixas, 2005). The scope of these rents rests on both the ignorance of the customer about the true costs of various products and the costs that have to be incurred by a competitor to assess the customer type. Financial literacy can reduce the former by raising customers' awareness of the costs of various products, their suitability and ways of comparing different offerings.

If banks have an opportunity to lock-in customers and derive rents from this relationship, what is their motivation to educate customers, if doing so would lead to the threat of the termination of those relationships? From the viewpoint of competition, it is the least efficient firm that has most to lose from more literate customers. Therefore, financial literacy can be seen, not only as a corporate social responsibility issue, but also as a competitive offering. If the increase in financial literacy directs customers to the most efficient providers, then it is in the interest of those providers to promote financial literacy. Moreover, if financially literate customers choose the most cost-efficient banks, then the bank that engages in financial literacy activities can signal that it is cost-efficient and does not have to be afraid of losing customers.

The rise of transactional banking, the move from originate-to-hold business models to originate-to-distribute business models, advancement in analytics and artificial intelligence, and the emergence of credit bureaus have diminished the barriers created by relationship banking and made it easier for competitors to lure customers from existing relationships. This change might have increased the benefits of financial literacy to all market players.

New entrants in the form of nonbank competitors to banks have also emerged. While the consumer financial services industry used to be dominated by banks and credit unions, now they are facing increased external competition, ranging from small start-ups to technology giants such as Apple or Google. On the other hand, the situation also encourages banks to find their competitive advantage in a broader set of operations, of which financial education may be one part.

The mission of the financial institution might also have an impact on the financial education activity that it provides. In the banking sector, not all organizations are profit-maximizing. Savings banks are operated for the benefit of their customers, especially depositors. Perhaps unsurprisingly, therefore, many public and private savings banks have historically been at the forefront of customer campaigns that have aimed to inform customers concerning the benefits of savings and prudence and the vice of uncontrolled spending (Garon, 2011). Likewise, cooperative banks and credit unions are customer-owned institutions that aim to maximize the surplus of customers. For such institutions, profiting from customer ignorance would appear perverse or at least contrary to their mission. Cooperative and savings banks and credit unions are also prime examples of relationship banks with close ties to their customers. Education of members is also one of the cooperative principles. Gigi Hyland from the National Credit Union

Foundation noticed that financial education had already been practiced by credit unions for decades, long before financial literacy became fashionable.¹

From the standpoint of a single bank, the existence of nonbank competitors and the possibility of multibanking pose a threat. When, previously, the customer conducted his or her financial affairs with just one bank, the bank could be certain that the customer could not become overindebted or take excessively large investment risks without the bank knowing it. However, now the risk profile of the customer is not known to the full extent, and financially reckless behavior with a third-party financial service provider can have harmful effects on a bank. Therefore, when customers have ties to a number of different providers, the benefits of providing the customer with financial education are higher.

Freixas (2005) notes that some features of the labor economics literature can be applied to information concerning financial education. In the employment relationship, the employee and the firm can invest in two types of knowledge, general and firm-specific. An analog could also be applied to financial literacy. In labor markets, the firm has interest in funding the acquisition of firm-specific knowledge by the employee. However, in a banking relationship, it might be the case that banks gain more from funding the acquisition of general financial market knowledge than firm-specific knowledge.

This fact is also noticed by Ms. Antila from FOB, who pointed out that one of the best ways to increase the financial understanding of banks' customers would be to make the products more transparent and to increase customers' understanding of inherent cost components and pricing policies. These changes would make it easier for consumers to compare different offerings and to find the optimal provider. However, this type of financial education by banks is rare.

Financial literacy as corporate social responsibility

Even if educating customers does not bode well for the business strategies of banks due to the possible conflicting interests of parties, providing financial education could be regarded as an example of corporate social responsibility (CSR). According to Benabou and Tirole (2010), firms must go beyond their contractual obligations to fulfill their CSR. For instance, banks are under contractual obligations to provide information about the contracts they sign with customers, but, ultimately, it is not their responsibility to ensure that customers truly grasp the meaning of those contracts. Any efforts to improve the understanding of the content of contracts (e.g., by means of visualizations or clarifications) can be regarded as voluntary. As discussed above, the business consequences of this voluntary information disclosure can be ambiguous: to the extent that the financial problems of the clients may spill over to the institutions or damage the reputations of the institutions, firms would have a business rationale for providing this information. On the other hand, to the extent that institutions can profit from the suboptimal behavior of clients, providing information may harm institutions financially.

To a large extent, the provision of financial education goes beyond this type of "just-in-time" financial education in the form of clarifying contractual terms. Indeed, the most common type of financial education that financial institutions provide is for the youth and especially children in school. They may have little immediate business with banks, even though they will ultimately become customers of some financial institution. Moreover, banks provide this information to all children, irrespective of whether they or their parents are customers of the particular bank.

What might be the motivations of banks to engage in such non-transactional CSR? One motivation is what Benabou and Tirole (2010) call “delegated philanthropy”. In that model, customers or other stakeholders would like to contribute to the common good but find it efficient to delegate their decisions on this subject to an organization that acts on their behalf. As we noted earlier, banks may produce financial education efficiently as a byproduct of their main activities. This fact is certainly one argument in favor of banks’ engagement. However, whether customers have an explicit and articulated demand for such activities is another issue.

Baron (2001) coined the term “strategic corporate social responsibility” to mean situations in which the firm undertakes CSR investments to strengthen its market position and gain profits in the longer term. This depiction is also a good potential explanation of the financial education efforts of banks. Banks can signal their trustworthiness in general vis-à-vis other banks, especially in relation to their nonbank competitors.

A more negative view concerning CSR is “greenwashing”. This term means that companies engage in a particular benign but potentially ineffective action to divert attention from other activities that have harmful societal consequences. Willis (2008; 2011) has argued that financial education may serve banks’ interest to lobby against financial regulations. The argument says that, if banks can claim to have educated their clientele and that those customers are capable of understanding the consequences of their choices, there may be fewer reasons to regulate contractual terms and information provision in transactions, as asymmetrical information is reduced and customers are able to look after their own interests.

Empirical studies in banks’ role in financial education

Despite the fact that banks have been very active in financial education, there has been relatively little empirical evidence concerning these issues. This deficiency is probably due to a lack of empirical databases for analyzing these issues.

However, there are some innovative approaches. Henderson et al. (2020), using textual analysis from Canadian financial literacy programs, find that, contentwise, the programs run by banks do not differ from those of other providers in terms of topics covered, but programs run by banks do tend to express more moralistic tones than others.

Kuchciak and Wiktorowicz (2021) look at the financial education initiatives of Polish banks on social media. First, they find that mentions of financial education initiatives on social media have increased quite strongly throughout the 2010s. They also find that these initiatives are more common from commercial banks than cooperative banks, although the trajectory of increase is similar for both types of banks. This difference can likely be explained by the larger market presence and greater resources of commercial banks. This medium is an interesting source of analysis, but it should be noted that differential results can be driven, not only by differences in financial education initiatives, but also by differences in social media use: it is possible that the resources allocated to social media use have increased during the last decade, which may artificially inflate the measures. It may also be the case that the social media resources of large commercial banks are greater than those of much smaller cooperative banks. In any case, Kuchciak and Wiktorowicz’s (2021) research should be complemented by taking into account the differences between organizations.

3. Practical examples of bank and credit union involvement in financial education

United States

In the United States, all large banks have financial literacy resources available on their websites.² These resources are regarded as part of their work in the area of corporate social responsibility. Similar to banks, credit unions, although they are much smaller financial institutions, are heavily engaged in financial education. Their network, for instance through the National Credit Union Foundation, spreads best practices to local credit unions. These practices include sponsoring financial education provided by others, giving standard financial advice, and educating children at school.

These sites have somewhat different aims. One of the goals is giving financial advice to customers in various situations (e.g., retirement savings, investments, college savings, emergency funds): one example is Citibank's Financial Education Center. This type of advice can be regarded as a substitute for the financial counseling services that banks have given in the past when interacting with their customers in bank branches. Sometimes these sites are quite sophisticated: for instance, Bank of America has an interactive Better Money Habits website, where advice is adjusted according to the information provided. Website visitors are guided to various texts or infographics based on their responses. Visitors can also opt to contact a bank employee – so the financial literacy site works as a marketing point of entry tool or serves to enhance already existing customer relationships. Similar types of services are also provided by credit unions, and they are a rapidly increasing form of financial counseling.³

Another way large US banks are engaged in financial literacy includes sponsoring work done in this field by others. For instance, JP Morgan Chase supports the development of the financial wellbeing of girls and young women by sponsoring Girls Inc.. Credit unions also support numerous programs, with Biz Kid\$ being a well-known example. Biz Kid\$ started as a TV show hosted by public broadcasting networks. The TV series has ended, but the financial education program is still maintained as an interactive website with many financial education vignettes. Other examples include partnering with the Junior Achievement programs.

One of the best known financial literacy programs arranged by a US bank is the Hands on Banking educational program by Wells Fargo. It includes free financial literacy tools, such as courses, instructor resources, and study plans for various age groups. It also includes material for families that can be discussed at home. The material is free to use by everyone and does not include any commercial advertisement.

One additional method that banks and credit unions have pursued is providing branches in schools where students may make deposits and withdrawals. This practice can be a useful complement to other financial education programs, as described in Batty et al. (2015).

An innovative method of financial education in which credit unions have been involved is experiential learning methods, especially reality fairs, such as the CU 4 Reality developed by the New Hampshire Credit Union League and the American Credit Union Museum (Sebastian et al., 2012). These events allow students to adopt imagined identities and consider how to act

² The reviewed websites included JPMorgan Chase, Wells Fargo, Bank of America, and Citibank.

³ Interview with Gigi Hyland, National Credit Union Foundation, April 28.

in these situations. These events are examples of how roleplaying makes it possible to explore difficult choices in a safe environment.

The pandemic has shifted financial education from branches to virtual environments. In this regard, credit unions have had a disadvantage, as they have traditionally emphasized on-site meetings with clients. The pandemic has affected the demand for financial education, and more customers are now expecting counseling in online environments. Larger banks have been able to devote more resources to this field in the past. New players within this market also include various fintech companies that partner with banks and credit unions. In particular, smaller banks and credit unions can often provide services more efficiently, not by producing everything in-house, but by working with external partners.⁴

Europe

In Europe, the banking sector is involved in a number of initiatives individually, through various national European-level trade associations, and through nongovernmental organizations. There is more emphasis in Europe for banks to delegate financial literacy activities to their respective trade associations and to government bodies. After 2008, in the aftermath of financial crises, the European Central Bank and national supervisory authorities became more active in this field.

Anu Raijas, an advisor to Bank of Finland on financial literacy, emphasized in our interview that the trend toward public-private partnerships in financial education has shifted financial education activities closer to CSR. In many cases, participating financial service companies are not allowed to promote their own brands or products. Previously, individual- and trade association-level financial educational initiatives usually highlighted the participating organizations. In that sense, the previous activities were more aligned toward marketing efforts and increasing brand awareness.

In 2020, the European Banking Federation, which represents the various national trade associations, surveyed the various financial literacy projects conducted in member countries (EBF, 2020). Additionally, the European Banking Authority (2020) yearbook describes a number of activities done in cooperation with various authorities.

One of the main supranational initiatives of the European Banking Federation is The European Money Quiz, which was launched in 2017 as an initiative to promote financial education by national banking associations in Europe. The number of participating national associations has increased, and in 2020, it attracted nearly 50 000 students from 28 countries. The quiz is held digitally on the Kahoot platform. The questions have been aligned with OECD/INFE guidelines on financial literacy for youth, and they measure knowledge concerning personal finance in relation to money and transactions, to planning and managing finances, to risk and reward, and to the financial environment. The competition is held at the classroom level, and national winners send two representatives to the finals.

The ING Bank, which has its headquarters in the Netherlands, can provide an example of a pan-European banking group's financial educational activities. The bank states that it is "committed to enhancing consumer financial capability and making financial products and services more accessible and inclusive to a wider section of society." The tools used are, however, primary

⁴ Interview with Gigi Hyland, April 28, 2021.

targeted at their customers and include insights, tools and programs that are distributed through digital and traditional channels. Of the 11 programs described, nine were targeted at children and young adults, one at social entrepreneurs and one at women in developing countries.

An example of an innovative financial education program supported by a European bank is the Erste Financial Life Park (FLIP) in Vienna, which is a physical museum including many interactive and gamified materials. A similar museum has been founded in Turin, Italy, by Intesa Sanpaolo (Museo di Risparmio) and a number of central banks, e.g., the Cite de l'économie in Paris. These museums are open to all visitors but are especially oriented toward visitors from schools. The pandemic has affected their operations, but it has also served as a catalyst to develop more virtual materials. After the pandemic is over, it is likely that they will continue in their physical locations but also include more online activities.

Finland

The largest banks in Finland are also very active in developing financial literacy programs. Nordea, which is a bank operating in all Nordic countries and the largest bank in Finland as measured by assets, views financial education as an important aspect of its corporate social responsibility work.⁵ Nordea has been especially active in supporting the financial development of young people. Before the pandemic, they organized workshops for young people on-site at Nordea head office and branches, and during the pandemic these workshops have continued online. For senior people, Nordea organized training workshops to improve digital skills, which are currently necessary for personal financial management.

An important reason for Nordea to organize these sessions is to provide volunteering opportunities for its employees. However, an equally important part of financial education is to support the work of others, such as the Yrityskylä (Me & My City) program of the TAT, a reality fairs program widespread among schoolchildren, and the Taloustaitohanke (economic skills project), which is coordinated by the DIAK University of Applied Sciences and targets especially disadvantaged youth. According to Pirjo Kuusela (2021), their partners already have well-developed programs and contacts through which they are able to reach target groups. Therefore, it is often more efficient to sponsor external programs than to build their own programs.⁶

Pirjo Kuusela also sees an important role in collaborations between banks and other actors that are active in the field. Banks have industry-specific knowledge concerning, e.g., financial regulations that other partners do not usually possess. Another example is that banks know about recent developments in, for instance, sustainable investment, that should be included as a core curriculum for financial literacy.

Other Finnish banks have similar initiatives. For instance, the cooperative OP Group, which is the largest banking group as measured by deposits, supports many of the same initiatives as Nordea. In Finland they have also pioneered the use of escape rooms in financial education.

Oma Säästöpankki, a smaller, publicly traded bank, has sponsored an interesting program called Oma Onni (Kalmi, 2018). In this program, vocational secondary school students designed, in collaboration with their teachers, an online learning environment for 9th grade in

⁵ Interview with Pirjo Kuusela, Nordea, April 19, 2021.

⁶ Interview with Pirjo Kuusela, April 19, 2021.

secondary schools. As these students are only a few years older than the target students, this program can be viewed as an example of peer-to-peer financial education.

It is interesting to note that Peura-Kapanen et al. (2012) characterized the youth financial education programs offered by banks in Finland as “minimal”. In less than ten years, the situation has changed dramatically, and virtually all banks, perhaps especially the largest banks, have become heavily involved in financial education.

Financial education provided by central banks

Another interesting point is the increasing role of central banks. Central banks worldwide have taken a rather active role in promoting financial literacy. Early evidence of national financial literacy strategies (Grifoni and Messy, 2012) pointed out that central banks were often involved in implementing national financial literacy strategies. Central banks have been active in spreading financial literacy through a number of methods. Fluch (2007) reported that many central banks had been active in spreading financial literacy through online educational materials, digital games, and finance museums. The use of such methods has likely increased during the previous decade and after the financial crisis of 2008.

Of course, the role of central banks is likely to differ from that of commercial banks. Central banks do not face the conflicts of interest that commercial banks face, as they cannot profit from consumer ignorance. Instead, their mission is public service, and promoting financial education is well aligned with that goal. The role of promoting financial stability is also consistent with investing in financial education. A challenge for central banks is that they do not meet the consumer in their everyday activities in the same way as do commercial banks and therefore need to take extra efforts to reach them.

4. Conclusions

Banks and credit unions have been involved in financial education for a long time (Garon, 2011). However, there are signs that, recently, this involvement has intensified. For example, in Finland, engagement by banks was modest ten years ago and is now much more visible. At the same time, the presence of financial education in schools and the involvement of both other public organizations (such as central banks) and third sector organizations has increased. This change has happened partly as the result of financial crisis. The relationship between financial literacy and macrostability has been recognized, and it has served as a catalyst for the involvement of central banks. National strategies of financial literacy have become increasingly common.

The participation of financial institutions in financial education has not pleased everyone. In particular, it has been argued that banks use financial education activities as a smokescreen for anti-regulatory lobbying. However, there is not much empirical evidence for this statement.

While banks may, in some cases, benefit from customer ignorance, the idea that they would profit from it in the long term seems far-fetched. First, the risks taken by customers may also spill over to financial institutions. A case in which customers invest in assets whose risks they have poorly understood might bring bad publicity to banks. Reputational concerns give banks a powerful incentive to avoid abusing customer ignorance. Second, banks can also use financial education as a signaling device. A bank investing in financial education programs might signal its trustworthiness and efficiency vis-à-vis its competitors.

There is an important distinction to be made between general and bank-specific financial education. On the basis of the material discussed in the article, it can be argued that commercial banks are especially interested in providing product-specific information, whereas central banks and trade associations are more focused on general features. Additionally, the focus of education on knowledge or on attitude and behaviors might change to some degree between the actors, with trade associations and central banks emphasizing the former and commercial banks focusing on attitudes and behaviors. These observations are summarized in Table 1.

***** TABLE 1 AROUND HERE *****

In the future, the new competition coming from nonbank financial organizations may also influence the actions of banks. Even though banks collectively may have lost some of their reputation as a result of financial crises and scandals, they still have a relatively good reputation in comparison to other actors, for instance, payday lenders. Financial education may be one way to maintain the advantage of banks against the new type of competition.

Virtual counseling and the use of artificial intelligence have become increasingly common in financial literacy provision, and the pandemic period has further heightened this shift. Nevertheless, many customers prefer to have personal contact with advisors, and there are still many advantages to education in real-life settings. It will be interesting to see the resulting balance between virtual vs. on-site financial education and AI vs. in-person counseling.

The preceding discussion has suggested a number of interesting issues that could be addressed in empirical analysis. What is the role of banks in financial education? Is financial education provided by banks different in content than that of other education providers? Does it make a difference whether the provider is for-profit or not-for-profit? The lack of comparable and quantified data makes it difficult to evaluate these issues at the moment.

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<https://bettermoneyhabits.bankofamerica.com/en>

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The European Money Quiz (European Banking Federation):
<https://www.ebf.eu/europeanmoneyquiz/>

Financial Life Park, Erste Bank: <https://www.financiallifepark.at/en/flip-tour>

Hands on Banking, Wells Fargo: <https://handsonbanking.org/>

ING: <https://www.ing.com/Newsroom/News/Sustainability-news/Snws-1/Enhancing-financial-literacy-for-future-and-present-generations.htm>

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TABLE 1

Table 1. A taxonomy of financial education by financial institutions

Entity/Financial literacy area	Knowledge	Attitude	Behavior	General features	Product
Individual bank		X	X		X
Financial services industry association	X	X		X	X
Public institutions (Central bank, supervisor, consumer affairs body)	X		X	X	