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Financial Education Program for Early Childhood Education

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Abstract
Educators, school reformers, and others even consider financial education as one of the 21st century skills that should be taught and instilled among students. Learning theories such as cognitive learning theory by Jean Piaget, discovery learning of Jerome Bruner, and social learning theory of Albert Bandura can all be utilized to promote financial education in early childhood. Teaching financial education in schools starts the process of preparing children to become competent consumers and managers of household wealth. Moreover, the school system provides an effective way to reach children and teach them about personal finance. Children need more specific skills, attitudes, and fundamental knowledge about financial literacy now more than ever, because of changes in employment patterns, retrenchments, and the high unemployment rate in several countries. Still others point to the need for developing a feasible, efficient, and effective financial education program that could arrest the pressing need to raise the financial education of children.

Introduction

Developing the financial education among children is becoming an area of growing interest and concern both for first world and developing countries. Many believe that in today's world, financial education is an essential life skill. Educators, school reformers, and others even consider financial education as one of the 21st century skills that should be taught and instilled among students. In connection to this, the present study is being conducted to join in the international discussion on financial education.

Theories of Financial Education

Human capital theory holds that the well-being of a society is a function not only of the traditional stocks of financial capital, labor and natural resources but also of the knowledge and skills of individuals. This theory predicts that increased knowledge and skill will yield improved economic outcomes for both individuals and societies, especially in modern societies, where it is widely held that knowledge and skill convey a greater economic and social premium than in the past. Education is a key element of human capital theory because it is viewed as the primary means of developing knowledge and skill (Crocker, 2006). Sahlberg cites the general

assumption that, "to increase competitiveness, citizens must acquire knowledge, skills and attitude necessary for civic success and knowledge-based economy" (Bendavid-Hadar & Hadad, (2013).

According to Sherraden, Johnson, Guo, & Elliott (2011) children develop understanding of economic and financial concepts as they progress through successive developmental stages. Holden (2009) presents three distinct general theoretical approaches to cognitive development in relation to children's understanding of personal finance. First theoretical approach is Jean Piaget's Cognitive Development, which explores general developmental processes and constraints that characterize children's thinking at particular stages of development. Second of these approaches is the role of experience and learning which emphasize children's individual cognition. Lastly, a theoretical perspective which focuses on maturation, specifically brain development. She discussed general conceptual development in children and the development of personal finance concepts: numbers, time, money and income, markets and exchange, institutions, choice, and social values in light of these three theories. In this study, Holden established reasons that provide support for the proposition that financial literacy education is appropriate for young children.

Learning theories such as cognitive learning theory by Jean Piaget, discovery learning of Jerome Bruner, and social learning theory of Albert Bandura can all be utilized to promote financial education in early childhood. All of these theories support the principles of integration. Through the process of integration, financial concepts can be embedded among different learning areas where children can learn about money matters at the same time they are learning other essential knowledge and skills. Children can also discover and learn more about the use of money in their environment through the use of activities that promote discovery learning. Learning about financial concept may be presented more realistically if children can relate these lessons with each other, and with other adult individuals' teachers and parents.

History of Financial Education

The Organization for Economic Cooperation and Development defines financial education as the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being (OECD, 2005).

The role of financial education is that youth acquire life skills that would be necessary in order to function as active and responsible citizens (Fabris, & Luburić, 2016). Collins and Odders-White as cited by Golds (2016), rationalize that the purpose of financial education programs is to "prepare students for financial decisions they will face as adults." It is important to stress the financial literacy program is not designed to make people financial experts, rather, the aim is to

empower individuals with sufficient skills and knowledge to form financial decisions and allow them to be more in control of their circumstances (Kefela, 2011).

Fabris, & Luburić (2016) propose a framework for drafting a five-step national program to raise financial literacy of youth and children. It includes the following steps: Step 1) Creating the principal body and teaming up; Step 2) Developing the national programme; Step 3) National strategy development; Step 4) Program presentation; and Step 5) Monitoring, evaluation, and fine tuning.

Hastings, Madrian, & Skimmyhorn (2013) convey that school-based financial education programs have the advantage that, while in school, students are captive audience. They maintained that, "a well-designed and well-executed financial education initiatives can have an effect… financial education is a tool, one of many, for improving financial outcomes." The starting point for giving people a basic understanding of personal finance is youth financial education, and the best starting place to reach large numbers of young people with financial education is in schools. Teaching financial education in schools starts the process of preparing children to become competent consumers and managers of household wealth. Moreover, the school system provides an effective way to reach children and teach them about personal finance (Gold, 2016).

The Asia Pacific Economic Cooperation Guidebook recommends five important imperatives for teaching young people about financial literacy: 1) a solid curriculum backed with resources; 2) specifically trained instructors; 3) avoiding a one-size-fits-all approach; 4) mandatory courses; and 5) involvement of parents (APEC, 2014).

Importance of Financial Education in Early Childhood Education

The OECD (2005) enumerated factors that make financial education increasingly important: 1) the demographic profiles are changing; 2)financial sector are growing complex; 3) personal savings are decreasing while personal indebtedness is increasing; and 4) government resources are limited. Financial education is important to both the security of individuals and the security of nations. Enlightened societies today strive to ensure social cohesion as an integral part of economic progress. That cohesion can be seriously undermined by major imbalances of wealth within nations. One way to avoid (imbalances) is to ensure that everyone participates in the creation and distribution of wealth. Financial education can play a key role (Johnston, 2005).

Paulson (2008) emphasized that, "One key area of focus is on our young people, because this is where we have the best chance to make a difference over the long run. The concepts of financial literacy can be taught to young people before they become young adults, and start to need a lot of things." Financial education could lead individuals by adopting better decisions, affect the improvement of competitiveness of financial institutions, better allocation of resources, lower levels of non-performing loans, and, ultimately, accelerated economic growth (Fabris, N., & Luburić, R. 2016). Bendavid-Hadar and Hadad (2013) reason that, "education is a

key factor in achieving economic development and socio-economic equality. Financial education can provide children with knowledge and skills required to this end." Greenspan also purports that, "Improving the basic financial education at the elementary and secondary school level is essential to providing a foundation for financial literacy that can prevent younger people from making poor financial decisions that can take years to overcome" (Grody, Grody, Kromann, and Sutliff, 2008).

Many believe that financial education in early childhood is not only necessary but also very much possible and desirable. One of the most vital skills that anyone can acquire is the ability to deal with money. This skill is acquired mainly in childhood. Therefore, they should start learning on money management principles as soon as possible. We should not wait until senior year to introduce students to financial literacy. It could be integrated into other subjects in their earlier schooling and just be part of the culture. If we are to succeed in preparing children to understand and manage their finances, we need to engage in frequent and thoughtful discussion both in the home and at school (Whitmer, 2015). Unless schools provide consistent financial literacy opportunities to students from an early age, children will continue to struggle to understand the value of money and to mature into financially literate adults (Gold, 2016). Financially educating the youngest students in school on the basics of being financially literate would empower them to make sound financial decisions throughout their lives.

Breitbard (2003) give his reasons that it is not too early to introduce the concepts of money to children. Furthermore, he proposes that, "the best way to attack the problem seems to be with education, beginning as soon as kindergarten and lasting through 12th grade." The best place to reach as many as possible in order to provide a basic understanding of personal finance, is in the schools. Introducing the youngest learners to the basics of financial education would help to develop the foundation needed to make effective financial decisions throughout their lives.

Financial education should start in early childhood when an individual's personality is shaped and when they should be taught how to take a correct attitude towards money, spending, saving, and other financial issues. Children need more specific skills, attitudes, and fundamental knowledge about financial education now more than ever, because of changes in employment patterns, retrenchments, and the high unemployment rate in several countries. It is of key importance that children learn the value of money and the importance of saving (Fabris, & Luburić, 2016). Collins and Odders-White (2015) state that,

> *"..the evidence in support of starting economic and financial education early has grown. Studies of cognitive development have shown that an understanding of concepts related to saving money can be acquired in early childhood. (p.106)"*

De Clercq (2009) articulates that it has been established internationally that it is essential for learners to acquire basic knowledge of personal finance at an early age, if they are to stand a chance of becoming financially literate adults. "Financial literacy educators say the bottom line is simple: Reach students early and often. Understanding how to use and manage money can open doors for students… It empowers them." (Whitmer, 2015)

A number of studies were conducted on the financial literacy of early childhood learners as well as studies on the integration of financial education to early childhood. Results from this research convey that there is a low level of financial literacy among children and that inclusion of financial education programs in early childhood yield positive results in increasing learners' financial literacy level.

An exploratory study conducted by De Clerq (2009) sought to provide a baseline assessment of primary learners' financial literacy awareness. In the study, the researcher used a survey instrument to determine the financial literacy level of children in terms of their financial knowledge and understanding, financial skills and competence, and financial responsibility. The result shows that gender and the amount of pocket money that children receive did not have impact on children's financial literacy. However, of the three independent variables considered, the age factor was the only variable which had significant impact on their performance.

Kozina, Perčič, and Koch (2011) in their study on the financial learning process of primary school children in Slovenia, conclude that the best way to start teaching young people about basic economic and financial facts and skills is to incorporate these issues into classroom lectures. They also suggest the integration of financially and consumer oriented content in a spiral progression in the whole educational system.

Sherraden, Johnson, Guo, and Elliot (2011) examined an innovative four-year school-based financial education and savings program. In their study, children who participated in the financial education and savings program scored significantly higher than those who did not. They suggest that there should be a formal financial education for all and that children should be given access to financial services through a savings account. The researchers explain that financial literacy alone is not enough and that children should also attain financial capability – the ability to act in their best interest, which do not only require knowledge but also the ability and opportunity to act on that knowledge. The researchers emphasized that young children increase financial capability when they have access to financial education and it is accompanied by participation in meaningful financial services (Sherraden, Johnson, Guo, and Elliot, 2011).

Grody, Grody, Kromann, and Sutliff (2008) conducted pilot study regarding a financial literacy and financial services program for Grade 3 learners. Their study examined the effectiveness of teaching financial literacy to elementary school children. In their study, they used a reading book on financial literacy read aloud by a school librarian and had a visit to a bank as part of the financial education program. Result of their study shows that the pilot group had significant

improvement in their financial learning. The researchers suggest on using other materials other than books such as concrete visuals, experiential learning, and workbooks to support financial education programs in schools.

In their article on Financial Education for Preschoolers, Birbili and Kontopoulou (2015) give two of the most effective teaching approaches to finance education. First, incorporate financial concepts and money management skills into the children's daily social interactions with adults and other children, and providing relevant activities that take into consideration their cognitive limitations, and second, make the experience as closely related to children's personal experience. They also enumerated important factors to consider in developing and selecting financial education programs for young children such as:

1. Children's developmental characteristics and in particular their cognitive and social development.
2. Children's knowledge about financial issues and understanding about financial concepts as influenced by their own "economic experiences" and the financial situation of their families.
3. In classrooms around the world, students come from many different cultural backgrounds.
4. Young children are financially dependent on their parents, have few monetary resources that they control themselves, and cannot interact independently with financial institutions.
5. The key role of the family in young children's financial socialization indicates that financial education for this age group should take a family approach.

Conclusion

Many believe that financial education should be taught in schools starting from preschool to high school and extending to adults also. Others demand that preschool curriculum should be revisited and financial literacy should become one of its components. Still others point to the need for developing a feasible, efficient, and effective financial education program that could arrest the pressing need to raise the financial education of children.

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