



# Centrale Bank van Curaçao en Sint Maarten

## Financial Education: A Panacea in Today's Modern Society?

Financial literacy is a hot topic in today's modern society. The financial landscape, including its digitalization, has become increasingly complex, leading some consumers on the edge of over-indebtedness. Sometimes consumers are not even aware of the gravity of their financial situation until it is too late. This is because often consumers accumulate debt over time, by taking one 'small' loan after the other. Unfortunately, all these 'small' loans may become one excessive debt!

Across the globe, research has shown that consumers suffer from low financial literacy. Financial literacy helps consumers to manage their money effectively in such a way that they can meet current and future financial obligations. A popular way to increase financial literacy is via **financial education efforts**, such as the Financial Education Month of the *Centrale Bank van Curaçao en Sint Maarten* (CBCS), which we will elaborate further on later.

The positive implications of financial education are far-reaching. At the individual level, financial education seeks to help consumers make sound financial decisions, become financially resilient, and prevent over-indebtedness. The latter can have several dire consequences, such as sleepless nights, stress, poor mental and physical health, depression, anxiety, domestic violence, and, in the worst-case, even suicide. At the societal level, financial education aims to contribute to financial stability, economic growth, and prevent social problems.

Across Latin America and the Caribbean, central banks have recognized the urgent need for financial education, highlighting the association between financial education, consumer protection, and supervision of financial institutions concerning transparency and good practices. The main target group of the central banks is usually primary and secondary school students, with a special focus to incorporate financial education in the school curriculum. The latter is necessary if we want to not only increase consumers' financial knowledge, but also encourage positive financial behaviors. The earlier financial education is given (in a structured and consistent manner), the higher the likelihood for consumers to gradually adopt positive financial behaviors.

The above discussion implies that the role of central banks should not be limited to regulating and supervising financial institutions to protect consumers. Rather, central banks should complement this 'traditional' role with financial education programs to transform **passive** consumers into **active** consumers. In other words, we should shape consumers' financial habits and behaviors so that they can make (more) responsible and informed financial decisions throughout their lives. This will help

consumers to support central banks in their supervisory role. For example, a consumer may file a complaint at the central bank because the consumer noticed a suspicious activity at a financial institution. Another example is a consumer reporting the presence of an informal micro lender. These examples demonstrate that active consumers can contribute positively to central banks' core tasks and, ultimately, to a country's financial stability and economic growth.

In the past, there has been much debate regarding the effectiveness of financial education programs on financial knowledge, skills, attitudes, and behaviors. The mixed evidence probably stems from the diversity in the programs, in terms of duration, timing, delivery channel, content, and target group. A recent study, however, provides more clarity on the topic. Based on a meta-analysis of 76 randomized experiments, with more than 160,000 individuals, it was shown that, on average, financial education programs had positive causal effects on financial knowledge and financial behaviors.

In our opinion, it is **the way** we design and implement financial education programs that determines whether it will be effective or not. Actually, findings from behavioral science suggest **five ingredients** to establish **smart financial education programs**.

1. **Concise, clear, and simple content:** the information should be concise and appropriate, include easy to remember rules (e.g., rules of thumb), and take into account 'framing' (i.e., how words and images influence consumers' financial decision-making).
2. **Tailored programs:** the target groups, objectives, resources, and delivery channels for financial education must be applicable to the features and needs of each segment of the population. The programs should be given at the right time, discuss personal biases (e.g., overconfidence), combine counseling, goal setting and coaching, and enable trainers to link the information to the audience's mindset and develop a connection with the audience (e.g., via cultural elements).
3. **Encourage action taking:** The programs should provide practical tips, tools, or strategies to stimulate better self-control, good mental accounting techniques, and immediate practice of the gained knowledge and skills.
4. **Use digital channels:** These channels provide an easy, accessible (24/7), attractive, and entertaining way to share financial education information, particularly in today's digital era.
5. **Use existing behavioral frameworks:** These frameworks have been developed using scientific findings and can offer the foundation to develop national financial education programs.

Although the aforementioned behavioral insights provide a great starting point, we must recognize that smart financial education is not a 'one-size-fits-all' strategy. Hence, we should select target groups, develop and implement pilot programs or projects, collect data, and perform evaluations of the results. This systematic process is a promising path to achieve **smart financial education**.

For Curaçao and Sint Maarten, the CBCS has already taken several steps. To illustrate, this year, the CBCS organized an [information session](#) for students who are moving abroad to study with the financial support of the *Stichting Studiefinanciering Curaçao* (SSC) and the Division Study Finance Sint Maarten. In the context of the [World Investor Week](#), the CBCS also launched a short survey regarding financial resilience to trigger the opinions and experiences of consumers, investors, and entrepreneurs. To celebrate the [World Savings Day](#) on October 31, the CBCS teamed up with the primary schools in Curaçao and Sint Maarten to conduct an arts and crafts project. The children created their own piggy bank at their school, which was recorded into an inspirational video clip in which they shared their thoughts about saving for tomorrow. The CBCS also provided interactive (virtual) guest lectures to primary school children in both countries.

In November, the CBCS will host her Financial Education Month for the second time. During this month, the CBCS will launch a budget video to explain consumers how to set up a budget for their household. Additionally, the CBCS will organize two webinars titled ‘Mastering financial resilience’. The CBCS will moreover provide interactive virtual guest lectures to secondary school students in Curaçao and Sint Maarten, and will provide a master class to entrepreneurs as part of the iFounded event organized during the [Global Entrepreneurship Week](#).

Furthermore, the CBCS in collaboration with the Central Bureau of Statistics (CBS) Curaçao carried out a baseline study, among other things, to identify the level of financial literacy and financial satisfaction of the Curaçao population. The resulting research report will be published on the CBCS’s website before the end of this year. Next year, a similar study will be conducted for Sint Maarten.

The detailed overview above illustrates that the CBCS has been **very active** in organizing and participating in financial education activities, as well as conducting research in this field. To ensure the **success** of smart financial education programs in the long term, especially covering all segments of the population, collaboration among different partners is crucial. These partners include the public and private sectors, in addition to the national and international actors and forums.

Continuing our pursuit of **smart financial education in a collaborative way** will certify that sooner rather than later our community is equipped to make effective financial decisions throughout their lifetime. That said, it is vital to remember that: “Collaboration is multiplication” - John C. Maxwell

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