

Schools and media key to cutting financial illiteracy

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Japan's government should set up special programs to teach financial literacy in schools and through the media, according to researchers who carried out a detailed study of the causes of low levels of ability in handling money.

They found that levels of financial [literacy](#)—understanding the value of money and how to maximize the benefits of using it—depended on people's exposure to finance in [social settings](#) and

on how much priority they put on the future compared to the present. The findings came from analysis by Hiroshima University economists Yoshihiko Kadoya and Mostafa Saidur Rahim Khan of 3,905 responses to a nationwide survey in Japan.

While previous studies have shown that financial literacy improves household decisions such as savings, retirement planning, and investments, this was one of the first to look at which factors determined levels of financial literacy. It was also the first comprehensive research into the factors affecting financial literacy in Japan.

"The findings of other countries cannot be naively applied to Japan," Kadoya says.

The researchers found that gender, age and [education](#) significantly affected how good Japanese people were at making financial decisions. Men are significantly more financially literate than women, while older people tend to be better at making money decisions, although that ability peaks at middle age.

The researchers also looked at [psychological factors](#) and found that people who put more weight on the future compared with the past or present were more financially literate. The researchers had expected that people who worry about life after they turn 65 would seek out information about how to be financially secure through their retirement years. To their surprise, there was no direct relationship between those with anxiety about aging and improved literacy.

The overall results suggested socialization and future orientation—the extent to which people prioritize the future over the present or past—had a profound impact on the acquisition of financial literacy in Japan. Socialising financial education through television programs, training programs, and newspaper articles can help people learn about

finance, the researchers say.

"More focus on financial education in schools is needed," Kadoya says, pointing to earlier research showing that financial education programs at the school level were neither well organized nor taught by specially trained teachers.

"Awareness about the need for financial literacy early in life could ensure that people understand the benefits of making better financial decisions," he says.

More information: Yoshihiko Kadoya et al. What determines financial literacy in Japan?, *Journal of Pension Economics and Finance* (2019). [DOI: 10.1017/S1474747218000379](https://doi.org/10.1017/S1474747218000379)

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