FINANCIAL LITERACY EDUCATION: KEY TO POVERTY ALLEVIATION AND NATIONAL DEVELOPMENT IN NIGERIA

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ABSTRACT: *Ensuring that all societies' young people become financially capable is now widely seen as a necessary key pillar in helping Governments build economic stability in the future. The ability to read, analyze, manage, and communicate about the personal financial conditions that affect material wellbeing is of utmost importance. Being able to manage money, keep track of personal finances, plan ahead, choose financial products and stay informed about financial matters enable the avoidance of financial disaster. This research constitutes an essential component of the theory of the strategy of financial literacy framework which articulates a strategic direction for the delivery of financial education in Nigeria. Financial literacy education is very important because the journey to obtain independence and achieve financial success cannot just be prioritized by having good educational experiences, a sound résumé and a career with a nice salary. Rather, the financial freedom road requires development of good financial habits, practice and discipline. This work adopts a secondary data approach which critically examines Nigeria's financial literacy education framework, the significance of financial literacy education, steps for best practices in financial education and awareness, and the challenges to building sustainable financial literacy education systems. It finds that promoting financial literacy among Nigerians provides them with the essential knowledge and financial responsibility to make decisions that will better their lives and ultimately grow the economy. This is because as financial markets become increasingly sophisticated and as households assume more of the responsibility and risk for financial decisions, financial education is increasingly necessary for individuals, not only to ensure their own financial well-being but also to ensure the smooth functioning of financial markets and the economy. The paper therefore strongly recommends, amongst others, the involvement of all tiers of government as well as key institutions and the private sector in the design and implementation of financial literacy programmes across all segments and sectors of the economy.*

KEYWORDS: Financial literacy, Education, Financial freedom, Economic development, Nigeria.

INTRODUCTION

Of great significance is the building of the knowledge, skills and confidence that are needed to be able to manage money effectively. Ensuring that all society's young people become

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financially capable is now widely seen as a necessity key pillar in helping Governments build economic stability in the future (Adeoti, 2010). The Nigerian Financial sector has grown at an astronomical rate since the consolidation of the banking sector in 2005. However, less than 21% of the populations in the country have bank accounts which are the mirror image of the developed world where 90-95% has bank accounts. The lack of access to finance amongst the underserved is responsible for the persistent increase in the level of poverty and the poor standard of living in the country. Millions of Naira are trapped within the bottom of the pyramid and left untapped. If tapped and ploughed into the financial sector by creating awareness on Savings, the Nigerian economy would become tremendously improved for it (Credit Awareness Nigeria.com, 2013).

Financial literacy is the ability to read, analyze, manage, and communicate about the personal financial conditions that affect material wellbeing. Financial education is the process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and concepts to become 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 wellbeing and protection. Financial capability is being able to manage money, keep track of your finances, plan ahead, choose financial products and stay informed about financial matters (Co-Creation Hub Nigeria, 2013; Organization for Economic Cooperation and Development, 2005).

Financial literacy is important as it allows individuals to make educated financial choices, discuss financial issues, and plan for the future. For example, individuals are able to save money to pay for college, buy a home, or pay for unforeseen adverse events. In addition to promoting long-term well-being, financial literacy can help protect against predatory practices. When implemented well, financial education can increase savings behavior, reduce maxed-out credit cards, and increase timely debt payments (George Lucas Educational Foundation, 2013).
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According to Josmier (2013), successful individuals achieve fortune by combining their experiences with knowledge. They take decisions out of the ordinary, dare to face challenges, and seize their chances from attendant threats. They do not have to take fraudulent or illegal steps. They are people who are smart, have thorough understanding of standards, and if required, redefine policies or create their own based on their situations. They invest in attaining financial education designed by experts so as to eliminate the troubles which may emanate from the possibility of having to involve a great deal of money, time and effort to figure out what strategies will work best.

A significant research finding from older people is that if they had possessed the skills necessary to manage their personal finances earlier in life, it would have encouraged them to aspire to greater goals like saving early and saving often (Adeoti, 2010). This research is important because financially educated consumers help financial markets operate more smoothly and are less likely to be victims of fraud. Further, eight out of ten Nigerian workers are not saving for

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retirement; there is large increase in the number of Nigerian youth unemployed; expenditures are greater than incomes for most of Nigerian households; and a large percentage of Nigeria's population are still without bank accounts. Building financially capable populations could have enormous future benefits for economies throughout the world (Adeoti,2010).

This paper was written in order to fill the knowledge information gap whereby information available on consumer financial literacy has become worrying and uncoordinated. Reasons responsible for this are: (1) individuals generally lack an adequate financial background or understanding to navigate today's complex market (2) they also unfortunately generally believe that they are far more financially literate than is really the case. The paper is a contribution towards making people in both emerging and developed economies well equipped in weighing risks and making responsible choices in an ever more sophisticated financial market. Thus, they will be financially educated consumers who can help ensure that the financial sector makes an effective contribution to real economic growth and poverty reduction. This paper will also help ensure consumers save enough to provide an adequate income in retirement while avoiding high levels of debt that might result in bankruptcy and foreclosures. It is an exposition on how financial literacy education best practices can effectively mitigate the challenge of poverty and enhance national development.

FINANCIAL LITERACY EDUCATION AS KEY TO NATIONAL DEVELOPMENT

A 2008 survey showed that about 80% of Nigerians do not have bank accounts with Financial Institutions which makes them financially excluded and lack access to finance. The primary reasons are hardcore poverty and a low level of Financial Literacy (Credit Awareness Nigeria.com, 2013). In countries with diverse social and economic profile like Nigeria, Financial Literacy is particularly relevant for poor households as they are vulnerable to persistent financial pressures. Building financial capacity in Nigeria represents a big step in helping consumers to acquire the skills and knowledge to be capable, confident, and self-reliant when making financial decisions. Promoting Financial Literacy and creating Credit Awareness among Nigerians provide them with the essential knowledge and financial responsibility to make decisions that will better their lives and ultimately grow the economy.

In 2009, the Central Bank of Nigeria (CBN) embarked on a reform programme designed to reposition the Nigerian Financial sector for greater impact on the country's growth and development. An important aspect of the programme is financial literacy. The key characteristics of effective financial education programs for children and youths are that they are: taught early, developmentally appropriate, and taught with applied curriculum to develop decision-making skills. Getting an early start in financial literacy pays off. Financial literacy brings relevance for all ages. Financial literacy also makes school relevant (George Lucas Educational Foundation, 2013).

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The need for the ability to make informed judgments and effective decisions regarding the use and management of money cannot be over emphasized in current times even as the Central Bank of Nigeria seeks to enhance an efficient economy especially through the e- banking system and creation of a cashless economy beginning from June 1 2012. In the growth of any economy, the financial system plays a crucial role in the process of financial intermediation. A better understanding of how the financial system works and what it offers as well as how to utilize the financial products by the participants of the economy help to create a viable financial system and in turn enhance economic development. This is also true because the chain effect of a viable financial system cannot be denied on the economy. Financial literacy helps individuals to fulfill personal, family, social and governmental responsibilities. Financial education has always been important for consumers in helping them budget and manage their income, save and invest efficiently, and avoid becoming victims of fraud. When financial markets become increasingly sophisticated and as households assume more of the responsibility and risk for financial decisions, financial education becomes increasingly necessary for individuals, not only to ensure their own financial well-being but also to ensure the smooth functioning of financial markets and the economy (ResearchClue.com website, 2013).

Financial literacy surveys in many countries especially African countries indicate that consumers do not have adequate financial background or understanding and that they estimate their needs for financial education. Thus, the observation is that a major bane of economic development is lack of financial literacy and inability to maximize the growing financial markets, due to the ever increasing products and services which are continuously offered. Financial literacy is essential for a viable financial system which would in turn have its effect on the economy as a whole. Lowly educated people usually find it difficult comparing financial products, making use of cash and non cash payments, understanding financial terms etc. High income earners mostly have a good level of financial literacy especially the educated ones while the uneducated ones are only aware of basic knowledge of financial products like savings and current accounts. Financial literacy has an impact on economic development and financial literacy plays an essential role in creating a viable financial system. This means there is a link between financial literacy, financial system, institutions and economic development (ResearchClue.com website, 2013).

Financial Literacy Education In Nigeria

In 2012, the Central Bank of Nigeria (CBN) kicked off a financial literacy framework aimed at articulating a multi-stakeholder approach to the delivery of financial literacy cum education across all segments and sectors of the Nigerian economy. This was in pursuance of its National Financial Inclusion Strategy which was launched by President Goodluck Jonathan in October 2012. The ultimate goal of the framework is to empower Nigerians with the knowledge to make informed financial decisions that would enhance their well being. It was therefore in pursuance of these objectives that the Apex bank recently organized a series of events to mark the 2013 Global Money Week. During the week, the bank engaged in a series of activities organized to create financial literacy awareness and education by actively engaging children and youth

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(Ebelo, 2013). The CBN is putting a lot of structures in place to ensure that consumers get maximum benefits from financial services providers, which will ultimately result in not only enabling people take charge of their financial well-being, but also enhance economic development. This achievement is intended through intensive consumer enlightenment activities which will increase awareness and understanding of financial products and services, enhance efficient usage of financial resources, and empower Nigerians with the requisite knowledge to make informed choices and take effective actions that will enhance their financial well-being. By doing so, Nigerians will be empowered with the confidence to participate in the formal financial system. It is only when the vast majority of the Nigerian population is financially literate that they can come on board the formal financial systems, thereby contributing to financial stability (Onukwugha, 2013). Nigeria made a commitment to financial regulators and policy makers from over 80 developing countries, gathered in Mexico in 2011 to reduce the number of persons that have no access to financial services from the then 46.3 per cent by the year 2020.

Subjecting Nigerians to a financial literacy knowledge assessment in the areas of money management, financial planning and personal financial behavior, it was found out that: there was the existence of considerable gaps in the literacy levels of average Nigerian adults; literacy was lowest among single respondents; literacy increased with income; literacy appeared lowest among students and unemployed; literacy gap was more prominent in the domains of money management, financial exposure and experience; the possession of educational qualifications greatly influenced financial literacy in all the domains; the female gender under- performed the male gender in all domains of financial literacy; and most Nigerians (83% of survey sample) were willing to participate in literacy programmes if given the opportunity (Nigeria Deposit Insurance Corporation, 2012).

According to Credit Awareness Nigeria.com (2013), research facts indicate that 79% of Nigerians are excluded from formal financial services, 85% of the unbanked population are females, 86% of the rural population are unbanked, many in these categories lack information about banks, most cannot read or write, and prefer dealing with cash, 55% use bank for savings purposes, while 19% use it to prevent theft, and 3% use Microfinance banks.

Credit Awareness, in collaboration with the Central Bank of Nigeria, the World Bank and other stakeholders conceived the consumer education on rural financial services program as a platform that brings all stakeholders together to promote, educate and share information on issues that will enhance and deepen awareness and appreciation on the rights and responsibilities Financial Institutions, their clients and other stakeholders have. Consequently, Credit Awareness decided to launch a nationwide campaign tagged “Credit Awareness” on Credit Awareness and Financial Literacy (Credit Awareness Nigeria.com, 2013).

Best Practices In Financial Education And Awareness

The journey to obtain independence and achieve financial success is usually prioritized by having good educational experiences, a sound résumé and a career with a nice salary. The reality

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is that even with all these, financial disaster may not be kept at bay if good financial habits are not developed. The road to financial freedom requires practice and discipline. Shipley (2013) suggests the following few simple steps to aid you on this journey:

(a)Start saving for the future now: To retire at age 65, one must consider how money will be available to live for the following 30+ years. It is critical to start putting money away now to prepare for the future. The power of compounding was deemed the 8th wonder of the world by Albert Einstein and timing is the key to maximizing its power. The difference in totals at retirement can be solely due to when savings started. Even if someone can only invest a small amount of money, it is worth it in the long-run. Website calculators should be utilized to plug in numbers for projection.

(b) Get into the Budgeting habit: Budgeting is all about getting into a habit. It is as simple as monitoring how much is made and how much is spent. Running out of money is never fun, but it happens all too often. Keeping track of spending can be a very eye opening experience and small changes to spending habits can make a big difference. Monitoring spending on a monthly basis and changing the budget as life changes based on surpluses or deficits will allow one to take control of personal finances and free up some extra money to start saving for the future.

© Avoid credit cards and debt accumulation: Although credit cards are not inherently bad as everybody needs to take on some debt to build a credit history, the key is to not pay unnecessary interest and fees to credit card companies. One should only pay for things that one can afford to pay back by the month's end on a credit card. This is because the power of compounding works against the debtor when it comes to credit cards. If one cannot pay bill off completely by month end, research should be done to find low interest credit cards. Cards that offer rewards, no annual fee and low interest rates should be looked into. A poor credit rating can impact not only a person's ability to get an apartment, a car or house loan but also ability to get a job. A plan should be created on how unwanted debts will be paid off, beginning with paying off the highest interest rate cards or loans first.

(d) Bank smart: Bank smarting involves the consideration of tips such as: (i) Using banks' ATM machines instead of withdrawing in the banking halls and attracting fee charges (ii) Making sure you know what minimums your bank has on your account. Some require a minimum balance or they will charge you a fee if you go under (iii) Using the online bill pay function if it is available. It helps personal monitoring of expenses and allows you to set up automatic payments for fixed bills so you do not forget to pay them (iv) Being aware of the implications of over drafting your checking account. Contact your bank to learn how you can protect yourself from overdraft fees (v) No leaving too much money in a checking account that does not earn interest. Even if the interest rate you earn is small, you might as well take advantage of earning money on your money by moving it into an interest earning savings account (vi) Shoping around to different banks to find the best interest rates. It is good to consider credit unions and neighborhood banks as well as the big ones.

(e) Have an emergency fund: It is important to be prepared for the "just in case" aspects of life. Creating a savings account that accrues for an unexpected expense such as car repair, home repair, or a needed medical expense for you, your child or pet, is recommended. This account may also be needed if one is faced with being laid off, which is unfortunately more common in

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today's economy. Instead of racking up credit card bills, it is important to have money set aside to cover your living expenses – having an amount that is enough to hold one over for at least 3 months is recommended but ideal is an amount that is enough savings to last for 12 months. To help accomplish this goal, one can set up an automatic transfer from the checking account to the savings account. Often out of sight puts the money out of mind until it is really needed.

(f) Learn about investing: Even if investing and reading are not one's passion, it will be wise to take time to learn the basics. It is critical to have a foundational understanding of managing a portfolio of assets. These are helpful in managing a retirement investment account, managing the turbulent economy, and staying away from potential scams and fraudulent transactions.

(g) Set goals: Setting clear, written goals for the future and making plans to accomplish them are essential. Taking the time to write down one's goals and aspirations will really pay off.

(h) Take advantage of free money: **invest in a company-matched pension scheme**: Some organizations offer a matching option when investing for employee retirement e.g. where the employee contributes 5% of his income for retirement and his company also contributes 5%., this is essentially a 5% raise.

(i) Love your work: Psychologists have found out that people who describe themselves as happy (in their jobs) typically have better performance evaluations and earn higher incomes than those who said they were unhappy. Not enjoying your profession leads to additional stress, poor eating habits and health issues (all which will also cost you more money!). In addition, you will likely spend more time at work than at home; so you might as well do something that interests you and fits your skills.

(j) Protect your assets: It is good to ensure one has proper insurance for self protection and for assets. Car and health insurance are must haves. Gain knowledge around what insurance options you do have and the costs. Make sure you have enough coverage and the appropriate deductibles. Consider health insurance and other forms of insurance. Do you own or rent a home or apartment? Do you have content insurance for your home or apartment? Does your insurance cover floods? Do you have children or a spouse who would need to be cared for if something happens to you? Should you consider life insurance? Form a relationship with an insurance agent and assess your needs and coverage.

Further, having one's basic estate planning documents in place is important for self protection. One should have the following planning documents completed: a will, living will, financial power of attorney and a healthcare power of attorney. A signed, updated will is needed as it will direct where you want your assets to go should you pass away. A living will defines your wishes should you be medically incapable of making decisions on your own. A financial power of attorney is the formal selection of a person you determine will make financial decisions on your behalf if you were unable to do so and a health care power of attorney is naming the person who would be deemed the decision maker on your health care needs. Having these documents in place will help to protect you and your family.

Challenges Of Financial Literacy Education Initiatives

Prevailing challenges facing sustainable financial literacy education efforts across nations of the world have included: the rapid pace of innovation and growing sophistication of financial

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markets; the virtual explosion of financial products (like credit cards) being offered to a vast and growing number of "new consumers"; the increasing transfer of risks, such as longevity and investment to households in the pension field in particular; consumers' worrying low awareness and understanding of financial concepts and overestimation of their knowledge and skills relative to financial products and issues. The provision of financial education hand-in- hand with improved access to financial markets and services, particularly for vulnerable segments of the population is a concern for all countries of the world. For instance, in the US, between 25 million and 56 million adults are underbanked. In India, only 40% of the population has a banking account, 10% life insurance coverage and only 2% use credit cards. Financial exclusion rates ranging from 50 to 60% of the population are also common to Indonesia or China in Asia, as well as South Africa and Brazil. This situation may worsen as a consequence of the financial crisis situations. Lastly, when financial education is not efficient and aims only at enhancing financial awareness without also supporting the development of more responsible financial habits and behaviours, there lies a future challenge. Over the past few years, some observers have pointed to the limits of financial education and the relatively uncertain outcomes of related programmes (Organization for Economic Cooperation and Development, 2005; Boucher, 2010).

CONCLUSION AND RECOMMENDATIONS

Financial literacy and inclusion are issues of critical importance as we all strive for a more transparent, robust and sustainable economy, and a fairer society. There is a growing recognition of the importance of financial literacy as a complement to an appropriate and strengthened financial regulatory framework. The road to achieving financial freedom likely contains U-turns, bumps and dead ends. It is very tempting to live beyond personal income but the consequences can negatively impact one's life for years to come. Being smart about spending, having patience, saving for the things desired, investing for long-term future and being careful with taking on debt are counsels that will ensure individuals stay on course and reach their destinations. The Central Bank of Nigeria is concerned with Financial Literacy Education because there is a significant evidence to suggest that improving levels of financial capability can generate substantial benefits for both individuals and also the state.

This paper drives home the imperatives of financial literacy education best practices in developing and developed economies and it emphasizes the fact that financial literacy education must be vigorously imbibed and integrated by individuals, private organizations, and government organs if the challenges of poverty and underdevelopment must be meaningfully tackled. The paper has also provided an updated account of the efforts of the Nigerian State towards poverty eradication and national development via the instrumentality of financial literacy education for the Nigerian populace.

The following recommendations are hereby suggested:

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(i)The Central Bank of Nigeria can do a lot to improve financial literacy education in Nigeria by working with providers of financial literacy education in the country, working with the groups to improve efficiency in the delivery of financial education programs, increasing the awareness of the importance of personal financial education, promoting it, and supporting seminars for teachers and coaches on financial literacy education. National campaigns should be encouraged to raise awareness of the population about the need to improve their understanding of financial risks and ways to protect against financial risks through adequate savings, insurance and financial education.

(ii)Financial literacy should be promoted in schools as evidence shows that possession of educational qualifications greatly influenced financial literacy. Financial education should start at school. People should be educated about financial matters as early as possible in their lives.

(iii)Financial literacy programmes should be designed for the female gender in all domains of financial literacy. Financial education that creates different programmes for specific sub-groups of investors/consumers (i.e. young people, the less educated, disadvantaged groups) should be promoted.

(iv)Financial literacy education should be made available to the vast population of the self-employed persons in Nigeria; the financial literacy of older workers/ retired workers should be continuously improved; there should be general education on financial planning to all segments. Consideration should be given to making financial education a part of state welfare assistance programmes. Financial education and awareness of employees and related policy tools should be further promoted, both for defined contributions and defined benefits schemes. Appropriate financial information and education required for the management of the future retirement savings and income of individuals in private personal pension plans should be promoted.

(v)All tiers of government and the private sector should be involved in the design and implementation of financial literacy programmes.

(vi)Specific websites should be promoted to provide relevant, user-friendly financial information to the public. Free information services should be developed. There should be the promotion of warning systems by consumer, professional or other organizations on high-risk issues that may be detrimental to the interests of the financial consumers (including cases of fraud).

(vii)International co-operation on financial education should be promoted, including the use of the relevant organizations as international fora to exchange information on recent national experiences in financial education. The use of all available media for the dissemination of education messages which will achieve wider coverage and exposure should be promoted.

(viii) There ought to be the development of methodologies to assess existing financial education programmes. Financial education programmes which fulfill relevant criteria should be officially recognized. Also, financial education programmes that develop guidelines on study content and accomplishment level for each financial education programme and for each population subgroup should be encouraged.

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