

## Chapter 6

# Financial Literacy Practices as a 21st Century Skill in Turkey and the World Within the Framework of Public Administration Policy

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### ABSTRACT

*Many countries are trying to develop many financial education policies and strategies under the guidance of the top public administration under the heading of recommendations for increasing and disseminating financial literacy. In these initiatives, countries act independently of each other. In the globalizing digital world, especially in financial markets, positive or negative developments in one country affect other countries to a different extent. For this reason, it is imperative to produce policies that can act together with relevant stakeholders at the global level by acting with common financial literacy activities. In this chapter, the studies carried out to increase the financial literacy levels of economic units in Turkey and other countries will be explained comparatively. In addition, new policies and proposals will be developed by mentioning the joint activities that are currently partially carried out at the global level.*

### INTRODUCTION

The definition of financial literacy, which is in development stage in the finance literature, has been explained in different ways by many researchers and institutions. Therefore, there is no common definition. Financial literacy is, in the shortest sense, the ability of individuals to rationally use the money they have. It is the ability of an individual to manage her financial position optimally by rationally perceiving and interpreting basic financial theory and practices, taking correct short-term decisions and making

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long-term financial planning, by taking into account possible events and economic developments in life (Remund, 2010: 279). The terminological use of the concept of financial literacy may also vary from country to country. While the concept of “financial capability” is used in the UK and Canada, the concept of “financial literacy” is used in the USA, Australia and some other countries. While some authors and institutions prefer to use the term “financial awareness”, the concept of “Economic literacy” can also be used instead of the concept of financial literacy. Also, financial education, which is generally defined as a concept that mediates the transfer of financial information to individuals through individual or group workshops, seminars, trainings, consultancy and planning activities (Friedline and West, 2016: 650), there is no complete unity and consensus in terms of both its basic principles and how to do it.

Despite all the confusion of concepts and definitions, financial crises and financial defrauds experienced all over the world in recent years, increasing retirement age periods, and accelerating low savings rates have highlighted the need of countries to determine their financial literacy levels and the need of economic units to increase the level of financial literacy conscious. In this development, the findings obtained from the studies clearly reveal the fact that financial literacy also makes a significant contribution to the stability, growth and sustainability of the financial system (Kosicki, 2008: 4-5) while provides financial well-being to individuals. In addition, the individual’s erroneous financial decisions are also related to problems that are concerned with society such as divorce, suicide and crime rate (Güvenç, 2016: 848). Therefore, policymakers in both developed and developing countries increasingly understand the importance of financial literacy on the economy and society, and allocate resources to financial education programs within the framework of the established policies and strategies (Bariş, 2016: 16).

Nowadays, studies are carried out by both international organizations and the public/private sectors to measure the financial literacy levels of the general population or certain groups in many countries. An example is the Global Financial Literacy Excellence Center (GFLEC), which was established in 2011 within the George Washington University School of Business. It runs a project called Financial Literacy around the World (FLAT World). Also, the Russia Trust Fund for Financial Literacy and Education was established with funding the Ministry of Finance of the Russian Federation, World Bank and OECD in order to finance the development of resources and knowledge on the subject, strengthen the financial capabilities of different communities in low and middle-income countries, and to support policy makers in the preparation of the strategy/program on the subject. One of the studies financed by the Fund and carried out by the World Bank is the Financial Capability Survey. OECD INFE has created a questionnaire to be a reference for decision makers in order to identify the needs of the population, vulnerable groups and deficiencies in practices to form the basis for the programs to be organized and national strategies to be prepared on the development of financial literacy. While this survey provides the opportunity to observe the changes in time, it also forms the basis for international comparisons. The OECD organizes an assessment program called the Program for International Student Assessment (PISA) every three years since 2000, in order to measure the knowledge and skills of 15-year-olds in various fields (PISA, 2021).

Similar results emerge in the surveys conducted by these international organizations around the world (OECD, 2016a: 7-13). To summarize, the most obvious basic conclusion is that the level of financial literacy of countries is quite low. Another consistent conclusion of the survey results is that the level of financial literacy in relatively high-income countries is higher than in low-income countries, but still low overall. In addition, according to another finding, financial literacy levels of individuals are low in many countries, except for a limited number of countries with low population and high education level, such as Sweden and Norway. Especially in countries with a relatively large population and low level of education, such as Turkey, the financial literacy rate is at lower levels (Sakınç, 2018: 541-542).

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