

Durmuş Yılmaz: Financial education and awareness – challenges, opportunities and strategies

Speech by Mr Durmuş Yılmaz, Governor of the Central Bank of the Republic of Turkey, at the International Conference on Financial Education and Financial Awareness: Challenges, Opportunities and Strategies, Istanbul, 10 March 2011.

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Distinguished Minister, Esteemed Participants, Esteemed Guests and Members of the Press,

Welcome to our conference on financial education and financial awareness. As you know, these concepts have progressively come into prominence in both developed and developing countries in recent years. After a brief conceptual introduction, I will continue my speech by talking about the financial education in Turkey and efforts of the Central Bank in this respect.

Distinguished Participants,

Financial education has always been an important concept in terms of allowing individuals to manage their budgets, arrange incomes and expenditures, manage their investments and savings effectively, and protect themselves from possible losses. With the increased variety and complexity of financial products in today's world, this issue is becoming even more important for both individuals and the financial system. On the back of globalization, the liberalization trend in economies, the easing of restrictive regulations in the financial sector and the liberalization of capital flows at international level since the early 1980s, more and more individuals participate in financial markets as investors in many countries, primarily in developing ones. In this framework, financial education assumes greater importance in terms of minimizing financial risks for those who do not have sufficient experience of capital market instruments.

Financial awareness supports a more rational decision-making process for individuals by improving their literacy against financial risks. Increasing financial literacy will contribute to the more efficient functioning of financial markets, enhancement of financial stability and consequently the social welfare by increasing productivity in the overall economy. Therefore, financial education assumes importance not only for individuals but also for giving depth to the financial system and improving market efficiency. Parallel to increased financial literacy, the volume and variety of information sought by individuals from financial institutions will also increase. This will, in turn, lead to more transparency in financial markets. Besides, consumers' demands for products and services that meet their needs will enable the development of creative, innovative and competitive financial products and services in financial markets. Moreover, financial education will lead to an increase in the individuals' propensity to save and create a more efficient social security system. Higher rates of savings will have favorable effects on investment and growth and contribute to economic development and financial stability.

I would like to especially underline that financial education is not an abstract concept. As a matter of fact, we clearly witnessed the close relationship between financial education and financial stability in the recent global crisis. I believe that the awareness created by this crisis can be interpreted as an opportunity, as highlighting financial education will be beneficial for policy-makers, individuals and financial markets.

In Turkey, many institutions carry out projects with regard to financial education as a part of their responsibilities. In order to get the expected benefit from financial education programs, individuals' financial education needs that arise in different phases of their lives should be well identified. It is of great importance that financial education programs are devised in a way to meet these needs; and the effects of these education programs are assessed in order to reshape future needs accordingly.

Due to the relationship between financial stability and financial education I have just mentioned, the Central Bank of Turkey attaches special importance to the issue of financial education as other central banks do. As you all know, the CBT Law lays down the primary objective of the Central Bank of Turkey as maintaining price stability; whereas taking measures to ensure stability in the financial system are stated among the main duties. In this respect, the CBT considers financial education from the viewpoint of financial stability. With our biannual Financial Stability Report and other studies and announcements that we share with the public, we strive to raise awareness as regards the financial risks borne by households.

Meanwhile, we have recently accelerated our efforts on the international platform regarding this issue. The CBT is a member of the International Network on Financial Education (INFE) established under the auspices of the Organization for Economic Cooperation and Development (OECD), one of the leading organizations for financial education. Within the scope of this platform, the CBT became one of the fifteen members of the National Strategy on Financial Education subgroup, which was established in 2009. Similarly, the CBT applied to join the studies of the Financial Inclusion subgroup under this platform (established in February 2011) and also for membership in the Task Force on Financial Consumer Protection that was established at the OECD.

The Central Bank of Turkey also contributes, via data collection and surveys, to international studies on financial access. Within this framework, the CBT supports studies carried out by the Consultative Group to Assist the Poor (CGAP) conducted in collaboration with the World Bank. Moreover, the CBT – along with other related public institutions – contributes to the efforts of the Global Partnership for Financial Inclusion (GPII) initiated by the G-20 to enhance the exchange of information and cooperation regarding financial access.

Having said these, I believe that the CBT study entitled “Access to Financial Services and Financial Education in Turkey and Around the World” will become an important reference regarding this issue. The booklet is now accessible on the CBT website as well as in the Conference CD and is will be in print soon.

In the last part of my speech, I would like to mention some specific points regarding financial education within the framework of this Conference.

In the first session, we will discuss the relationship between financial education and financial stability and contribution of financial education to the functioning of the financial system. Then we will move on to the impact of the recent global financial crisis on the rising issue of financial education and financial awareness. Taking into account the importance of benefiting from other countries’ experiences while formulating national financial education strategies and programs, in the second session we will focus on financial education practices around the world. I believe that this session will yield very useful inferences. In the third session, we will listen to experiences of those countries that have made significant progress in designing their national financial education strategies and we will learn their methods, challenges and suggestions for solutions as well as the outcomes they obtained. On the second day of the Conference, we will elaborate the current efforts on financial education in Turkey and the roles and responsibilities of all relevant stakeholders. At this point, the cooperation between institutions will play an instrumental role in designing national strategies. The implementation of education programs is as important as designing financial education strategies and this issue will be thoroughly discussed in the sixth and last session of the Conference.

As the Central Bank of Turkey, we strongly believe that the significance of financial education is far beyond its conceptual meaning and we attach great importance to collaborating with national and international institutions in this area. We believe that this Conference with the valuable contribution of the Capital Markets Board will be a milestone.

I wish the Conference every success and thank everyone who has made a contribution.