

# The financial capability of secondary students, and the place of financial capability in secondary schools

Summary report

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Alex Neill, Melanie Berg and Liesje Stevens

New Zealand Council for Educational Research  
PO Box 3237  
Wellington  
New Zealand

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# Contents

**Summary ..... ii**

**Introduction ..... 1**

**Methodology ..... 2**

**The case for financial capability in schools ..... 4**

**Student attitudes..... 6**

**Student behaviour and experience ..... 7**

**Barriers to teaching financial capability in schools ..... 13**

**The place of financial capability in the school ..... 15**

**Concluding comments ..... 17**

**References ..... 19**

# Summary

## Background

The Commission for Financial Capability contracted the New Zealand Council for Educational Research (NZCER) in 2014 to survey students, teachers and school leaders about financial capability in secondary schools. The research investigated:

- the attitudes, behaviours and experiences of secondary students (Years 9 to 13) in relation to money and money management
- the range of financial capability programmes in New Zealand secondary schools
- the main barriers to the teaching of financial capability in schools.

## Main findings

### Demand

The demand for financial capability is high. Teachers and secondary school leaders were virtually unanimous in assessing its importance, and most thought that it should be taught at school. They were also nearly unanimous that including financial capability at school would be beneficial. Teachers believe that students' money management skills are low. Students themselves want to learn more about how to manage their money, and see the value of obtaining advice on money issues.

### Supply

The supply of financial capability education in secondary school is not enough to match the demand. Only a minority of schools have a strong focus on financial capability, and about half the students reported learning either little or nothing about financial capability at school. Teachers generally reported higher levels of teaching financial capability than students reported receiving it.

### Student attitude

Students said that having enough money is important to them. They also feel confident and knowledgeable in managing their money.

## **Student behaviour and experience**

Students are generally highly engaged with financial products and services. Virtually all receive money by a variety of methods, nearly 90 percent have a bank account and about a half have used Internet banking. The majority save money. They think that borrowing is acceptable if they have the ability to repay the loan. However, their knowledge of good money management strategies exceeds their behaviour in adopting these strategies.

## **Financial capability in secondary schools**

Financial capability means different things to different teachers. There is a tension between the wider economic concepts and principles that are often subject-related and the need for personal financial skills and practices.

Leadership of financial capability most often happens at the individual teacher level rather than at the whole-school level. While school leaders see the importance of teaching financial capability across the curriculum, this is not happening to the extent that school leaders would prefer.

The main barrier to teaching more financial capability in schools is its perceived irrelevance in an already crowded curriculum. Inadequate resources and professional development also feature as obstacles. The relatively low status of financial capability education in schools is another significant barrier.

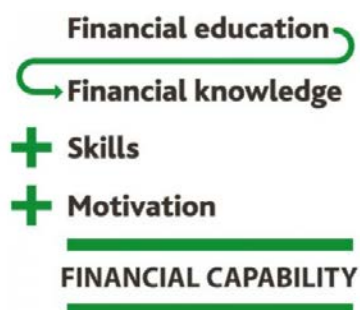
The full report can be found at [www.cffc.org.nz/secondary-school-report-2014](http://www.cffc.org.nz/secondary-school-report-2014)



# Introduction

## Definitions of financial capability

The terms “financial literacy” and “financial capability” are closely related. Financial literacy is the knowledge and skills each person needs to participate in the modern economic world. Financial capability incorporates not just having these skills and knowledge, but extends to a person actively employing them to make informed financial decisions. This notion of skills and knowledge being applied is represented here:



Financial capability is used throughout this summary report, as it explores this wider definition.

Financial capability is defined in various ways. The Commission for Financial Capability states on its website that:

Financial capability is defined as the ability to make informed judgements and effective decisions regarding the use and management of money. It is about having financial knowledge and the understanding, confidence and motivation to make and implement financial judgements and decisions.<sup>1</sup>

*The New Zealand Curriculum (NZC)* (Ministry of Education, 2007) refers to “financial capability”. *NZC* aims to:

Develop students’ financial capability, positioning them to make well-informed financial decisions throughout their lives. (Ministry of Education, 2007, p. 39)

Financial capability is suggested as a topic for cross-curricular activities, implying that it should be incorporated across different learning areas. The Ministry has also produced financial capability progressions, which describe learning outcomes that encompass three capability strands. These are: *managing money*, *setting goals* and *managing financial risk* (Ministry of Education, 2014<sup>2</sup>).

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<sup>1</sup> Retrieved 19 May 2015, from <http://www.cffc.org.nz/what-we-do/financial-capability/vision-and-values-3/>

<sup>2</sup> Retrieved 25 July 2014, from <http://nzcurriculum.tki.org.nz/Curriculum-resources/Financial-capability/Financial-capability-progressions>

# Methodology

The research involved three questionnaires.

## The student survey

We selected a form class of students at each of Year 9 to Year 13 in the participating schools and gave the students a pencil-and-paper questionnaire. This was organised around the domains of the Ministry of Education's financial capability progressions.<sup>3</sup> The questionnaire had nine sections:

- money
- saving and investing
- managing risk
- income
- borrowing money
- money and financial learning
- spending
- budgeting and financial management
- learning about money at school.

## The teacher survey

The teachers' online survey was a mix of open-ended and closed questions, and explored:

- general attitudes to financial capability teaching and learning
- access to, and the need for, professional learning and development related to financial capability
- barriers to teaching about financial capability.

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<sup>3</sup> Retrieved 25 July 2014, from <http://nzcurriculum.tki.org.nz/Curriculum-resources/Financial-capability/Financial-capability-progressions>



## **The school leaders' survey**

The school leaders' online survey investigated the role of financial capability from a school policy perspective. The school leaders surveyed were senior management team members with oversight or responsibility for curriculum in the school. The questions were aimed at gathering more in-depth information about financial capability in their schools. They included:

- relevant resources (including unit standards) and programmes
- the availability of, and demand for, professional learning and development
- barriers to including the teaching of financial capability.

## **Response rates**

There were 2,646 student respondents from 24 schools; this was a response rate of 26 percent among the schools that were sampled to complete the student survey. There were fewer decile 1 and 2 schools that responded to the student survey, compared to the sample frame, and more decile 9 and 10 schools than expected.

A total of 196 teachers from 53 schools responded to the teacher survey, and school leaders from 39 schools responded to the leader survey. These schools largely reflected the school decile characteristics in the sample frame, though there were fewer small schools and more large schools than expected.

# The case for financial capability in schools

## The demand

School leaders and teachers agreed it is important that all students learn financial capability, with virtually all either agreeing or strongly agreeing with this (98 percent and 99 percent, respectively). Most also agreed or strongly agreed that financial capability should be included in their school. Teachers and school leaders also concurred that financial capability could be integrated across a range of curriculum areas at their school (88 percent and 82 percent, respectively).

Students are keen to learn more about how to manage their money, with 73 percent responding positively. Students were not asked directly about the importance of money management, but 83 percent agreed or strongly agreed that it is important to seek advice on how to manage money, specifically around saving or borrowing money.

Teachers believe that their students' money management skills are, generally speaking, low (just 19 percent saw them as high). Clearly they see room for improvement. On the other hand, the majority of students (74 percent) believe that they know a lot about managing money, and a similar percentage (78 percent) are confident they can manage their money. Despite this difference of opinion between students and teachers, students still value advice on money management.

## The supply

Although the majority of school leaders see the importance of teaching financial capability, only 5 percent of school leaders strongly agreed that it has a strong emphasis at their school (33 percent agreed with this statement). Two school leaders mentioned that financial capability is a compulsory subject in Year 9 at their school. Only around 59 percent of teachers reported that they include money management in their teaching, even though 66 percent said that financial capability is relevant to the subjects they teach, and 81 percent agreed or strongly agreed that they could integrate it into their teaching. However, about half of the students reported learning either little or nothing about money and money management at school.

It can be concluded that the demand for teaching financial capability in secondary schools exceeds the supply. A later section of this report will look in more detail at where financial capability is taught in the school and the barriers that prevent its wider uptake.

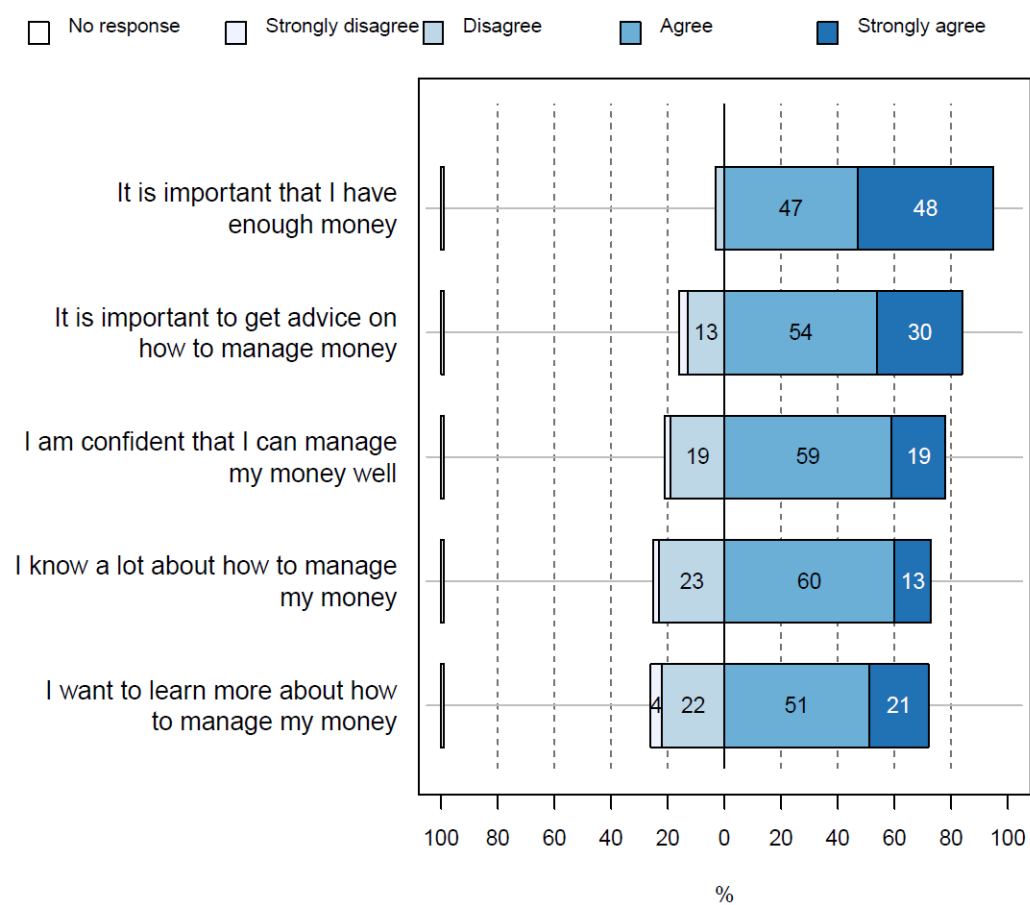
## **The perceived benefits**

It was widely agreed that teaching financial capability at secondary school would help students become financially literate, with 96 percent of teachers and 90 percent of school leaders either agreeing or strongly agreeing that this would be the case.

# Student attitudes

Students generally feel confident and knowledgeable about their money management skills, but they also think that it is important to seek advice and to learn more about managing their money (see Figure 1).

Figure 1 Student attitudes to money and money management (*n* = 2,646)



# Student behaviour and experience

## Engagement with financial products

Students show a high level of engagement with financial products.

- Nearly 90 percent of students reported that they have a bank account. Pasifika students are far less likely to have bank accounts than Pākehā/European students, and Asian students somewhat less likely to have one.
- Over 60 percent of the students had used foreign money.
- About 60 percent of the students had EFTPOS cards.
- About a half of the students had used Internet banking, and about a fifth had used telephone banking.
- Cash is still the most commonly reported mode of purchase.
- About a third of the students frequently or sometimes used credit cards for purchasing things.

## Ways of earning money

Students earn money in a variety of ways (see Figure 2).

- The most common source of earning money is doing jobs at home, followed by working at a part-time job.
- It is common for students to get pocket money, and to receive gifts of money.
- About 60 percent of students have sold possessions for money at some time, though just 7 percent reported doing this regularly.

## Student spending

- The majority of students generally spend less than they acquire (61 percent), while 29 percent spend all their income and just 8 percent often spend more than their income.
- Students are influenced in their spending by friends, family/whānau or through the media, but the majority (65 percent) reported that they buy things only when they really need them (see Figure 3).

Figure 2 Sources of student income ( $n = 2,646$ )

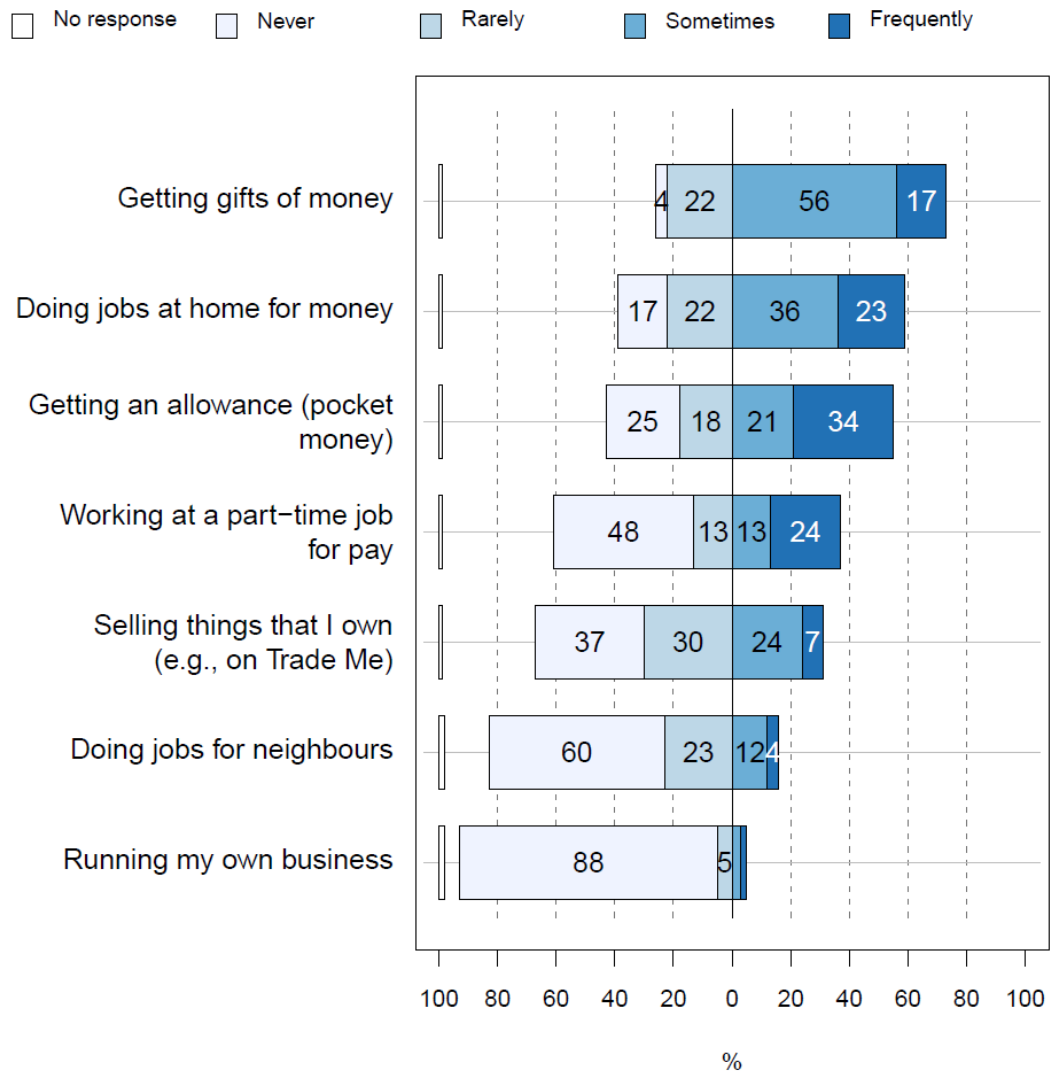
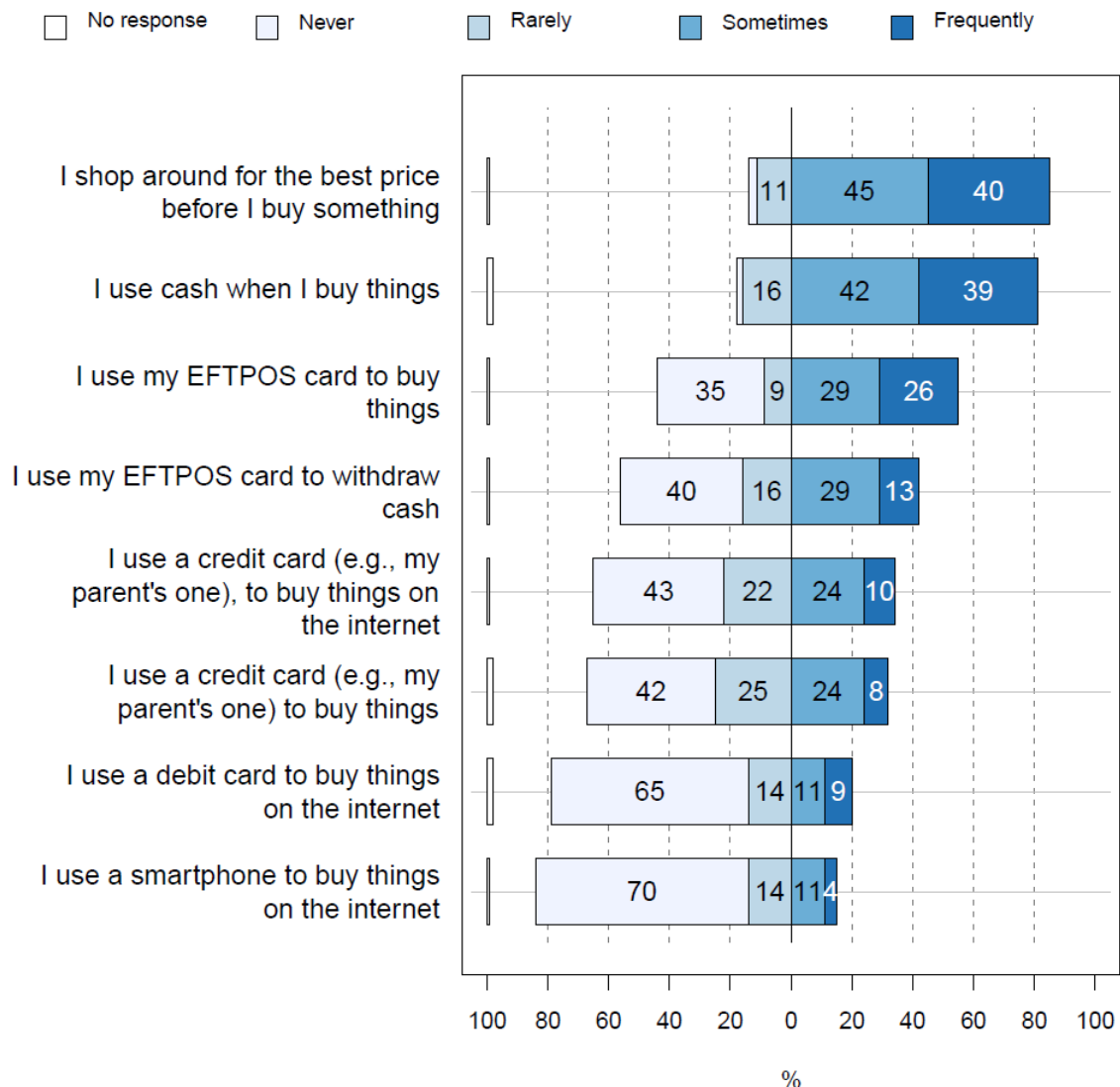


Figure 3 **Patterns of student spending ( $n = 2,646$ )**



## Student saving and borrowing

- Students showed a strong savings ethic, with 51 percent regularly saving and another 37 percent sometimes saving.
- The main method of saving is through a bank account (71 percent), with 57 percent keeping the money themselves in a safe place.
- Students commonly borrow money and lend money to others (with 67 percent having previously borrowed money and 79 percent having lent money). It is likely these are small, short-term transactions with family or peers.
- Students agree that it is okay to borrow money if you can pay it back (88 percent), although 79 percent believe that it is important to get advice about borrowing money.

## Student knowledge versus behaviour

Students have greater financial knowledge than their behaviour suggests.

- While 57 percent know how to make a budget, just 27 percent actually have one.
- About 74 percent know how to set goals for their money, but just 57 percent have done this.
- While 75 percent know how to find out their bank balances, just 63 percent know how much money they have saved or invested.
- About two-thirds of students know and exercise their consumer rights (such as returning faulty products), know what a financial scam is and know about income tax.
- Most students (85 percent) shop around for the best price before buying something.

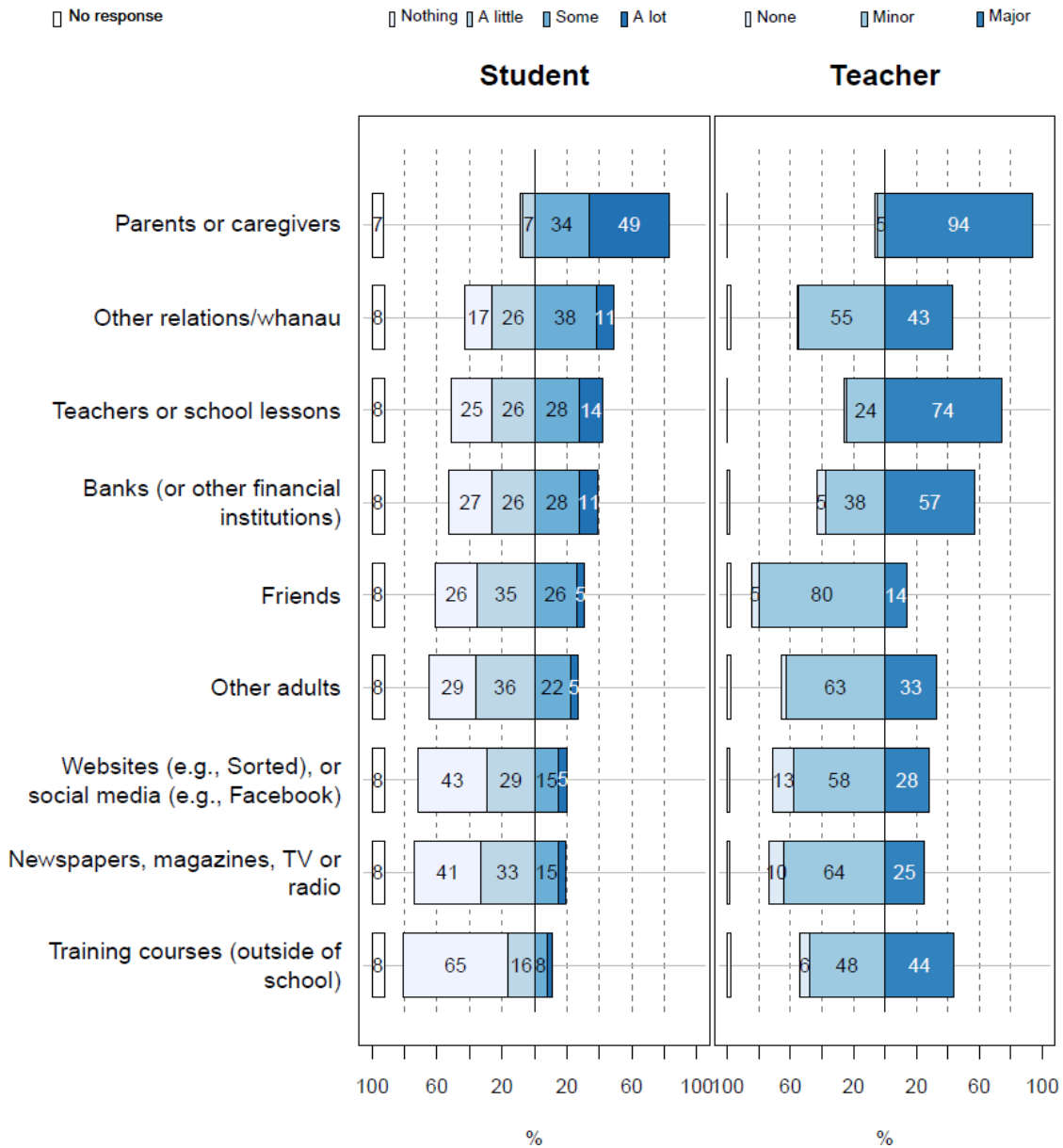
## Sources of financial learning

Students were asked where they *actually* get their learning from, whereas teachers were asked where students *should* get their learning from. Both students and teachers agree that parents or caregivers are the most important source of financial learning. There was less agreement between teachers and students about other sources of financial learning.

- Half of the teachers see banks as a major source of financial learning for students, whereas only 11 percent of students reported that they had learnt a lot from banks.
- About three-quarters of teachers thought that school should be a major source of financial learning, while just 14 percent of students said that they learned a lot from school, and half said they learnt little or nothing from school.
- Just under half the teachers thought that training courses outside of school should be a major source of learning. However, students report these as being the least common source of learning about money and money management.
- Teachers thought that peers are the least important source of financial information, yet about a third of students indicated they learned at least some money management from their friends.



Figure 4 Financial education: student sources ( $n = 2,646$ ) and teacher views ( $n = 196$ )



Although about a third of school leaders agreed that their school has a strong emphasis on financial capability, and more than a third of teachers reported that they include money management in their teaching, a number of open responses indicated that not all teachers feel they are required to teach it, or that it is their responsibility. Only 18 percent of teachers reported regularly teaching money matters *within a curriculum area*, although 64 percent reported using *teachable moments* to include it.

Students and teachers agreed about the subject areas in which financial capability is taught. Students said they had learned the most about money and money management in economics, accounting and business studies, followed by mathematics and statistics, then careers, transitions and trades and social studies.

Teachers reported the same top three subject areas as being the most important for teaching about money and money management. However, they reported higher levels of teaching

financial capability than students, who far more often stated that they receive little or none. This was across all curriculum areas with the exception of English, which had the lowest incidence reported by either group.

Teachers' open-ended responses on the financial capability they include in their teaching were reasonably evenly split between *personal* money management and *non-personal economic* concepts. The latter were generally related to specific learning objectives of the subject being taught. This suggests that, while financial capability is commonly understood to be about the skills and knowledge relevant to students' personal lives, it is often perceived as subject-specific conceptual learning, as this teacher's comment shows:

I find that when it is taught as part of a junior business program it is very specific and the kids learn actual financial capability skills. The problem is that this program is an option within our school so not all kids will have access to it. When taught as part of Social Science it is more concept driven and about the big picture of the economy and economic world, which is great general knowledge but is not about specific tools for individuals.  
(Social studies teacher)

Students indicated that they learn a lot about money and money management in some learning areas. However, only a few student responses to an open-ended question made explicit reference to learning that had occurred in secondary school. Students most often gave examples of learning that had occurred outside of school. This was often about learning from their parents (especially the mother), or having learned through their own experiences. One student stated:

I haven't learned anything new about money in school this year (so far). My knowledge of money management is from primary [school] & my parents.

## Resources

The financial capability-related resources used most frequently by teachers are:

- NZC and the Te Kete Ipurangi (TKI) website, followed by
- the Sorted website, and then
- general bank websites.

# Barriers to teaching financial capability in schools

## Covering the curriculum

Overall, it seems that money-related topics are seen as important, but there are a number of barriers to their being included comprehensively in secondary school. Issues related to covering the required curriculum content were the *most frequently noted* barrier to the implementation of money and money management teaching. One school leader noted, “The curriculum is so full that teachers struggle to cover everything that is already required of them as it is.” Teachers also mentioned the related issue of an overall lack of time.

## Relevance

Relevance to the subject area being taught was the *second most frequently noted* barrier. Some teachers see financial capability as additional to their current teaching and not something that can be integrated easily. However, some technology, PE, health, art and a few science teachers also described regularly integrating financial concepts and discussions, such as budgeting, as part of practical projects within their subject areas. Such integration is ad hoc and limits the number of students who experience financial capability education as part of their overall learning outcomes.

## Resourcing

Resourcing was the *third most frequently noted* barrier. This included teaching materials and access to staffing and professional development.

## Other factors

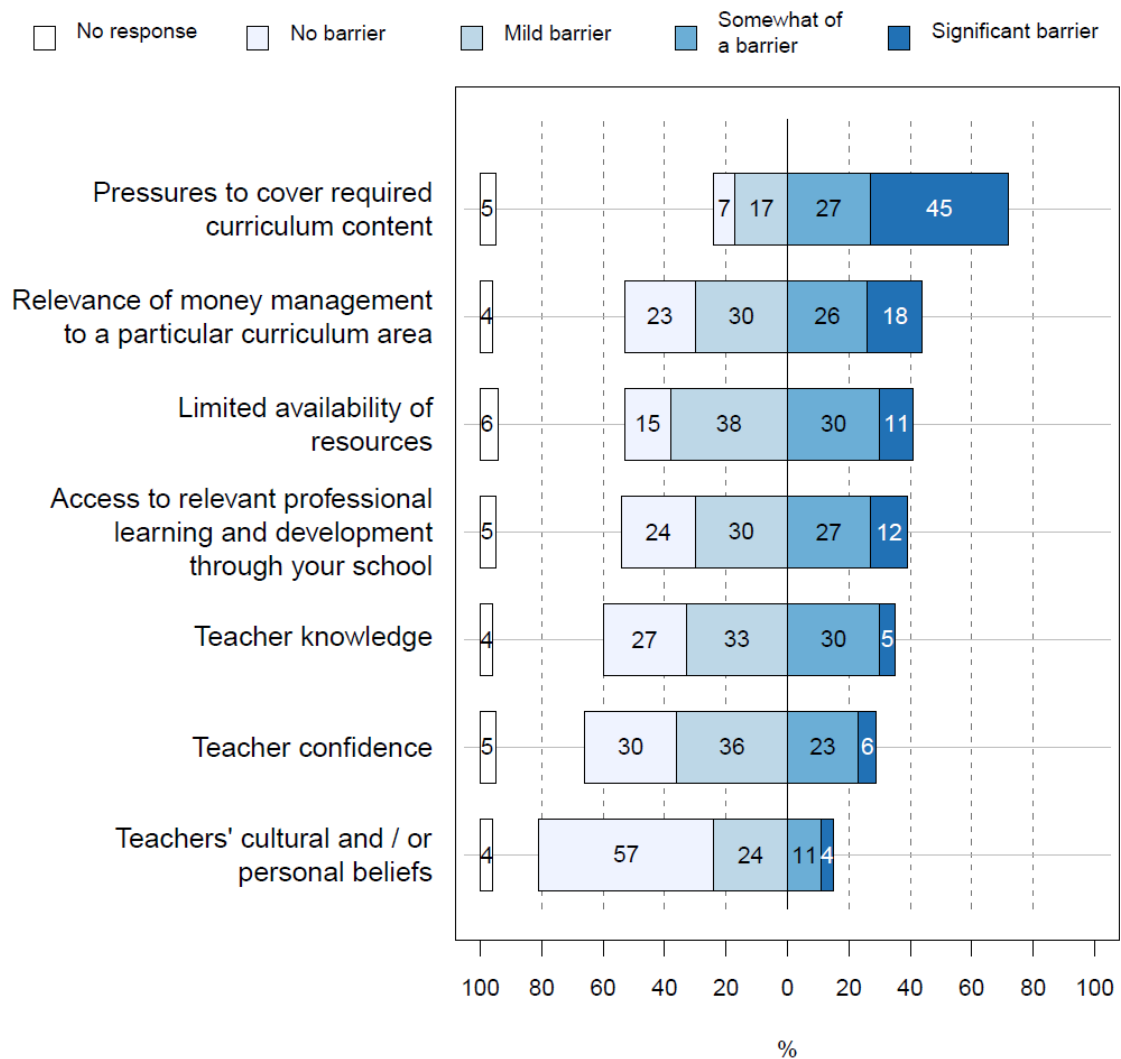
Teacher knowledge and confidence were also factors, albeit less significant than others—perhaps contrary to conventional wisdom about teacher capabilities. The survey found that:

- 69 percent of teachers see access to relevant professional development as a barrier

- the majority of professional development offered or available to teachers is overwhelmingly undertaken by economics, business studies and accounting teachers, but is most often informal and self-driven.

Nevertheless, many teachers reported ways they overcome barriers in order to include some financial capability in their classes, reflecting their belief that it is an important life skill.

Figure 5 **Barriers to teaching about money and money management ( $n = 168$ )**



# The place of financial capability in the school

## Leadership

Most school leaders (74 percent) are aware of the place of financial capability in the New Zealand curriculum, but only 5 percent strongly agreed that their school has a strong emphasis on it (with another 33 percent agreeing).

School leaders said that the main impetus for financial capability is driven by individual teachers (79 percent of leaders reported this), followed by a senior manager or a senior management team (31 percent). The teacher's individual teaching plan is most common (71 percent), closely followed by department- or syndicate-level plans (67 percent). Nearly half (41 percent) of the leaders have financial capability in their school-wide curriculum plans, and 38 percent have it in their student reporting. Very few schools have a strong focus on financial capability.

## Cross-curriculum nature of financial capability

Both school leaders and teachers see the importance of integrating financial capability teaching across curriculum learning areas, and that this could be readily achieved. This contrasts with actual practice, where the most common response was that it occurs in one or two subject areas (24 leaders; 61 percent). Another nine leaders (28 percent) said it happens in several but not all curriculum areas, and the remaining four (10 percent) said that it is not included across any particular learning areas. None of the leaders responded that it is treated in a completely cross-curricular way.

## Unit standards

Financial capability unit standards are used by only a small percentage of teachers, with a third indicating that they hadn't heard of them. Teachers often had the perception that more emphasis is placed on achievement standards (which do not exist for financial capability) rather than unit standards (which do exist for financial capability).

All but four school leaders stated that there is more emphasis on achievement standards in their school, although school leaders did largely agree that financial capability unit standards would be useful in helping students progress towards a formal qualification. Leaders from 15 schools (38 percent) stated that the financial capability unit standards are not available to any students in

their school. Table 1 shows school leaders' responses to some specific statements about unit standards

Table 1 School leaders' statements about unit standards ( $n = 39$ )

Statements about unit standards	Strongly agree		Agree		Disagree		Strongly disagree	
	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%
Our school offers other unit standards that provide more important learning than financial literacy unit standards	1	2.6	12	30.8	22	56.4	3	7.7
Financial literacy unit standards should be available to all students at this school	1	2.6	17	43.6	17	43.6	2	5.1
Financial literacy unit standards (would be/are) useful in helping this school's students progress towards a formal qualification	2	5.1	28	71.8	7	17.9	1	2.6
There is more emphasis on students taking achievement standards at this school	12	30.8	22	56.4	4	10.3	0	0.0

# Concluding comments

In this final section we provide our interpretation of some of the general themes that emerged in this research.

## Importance of financial capability in school

- Financial capability is interpreted by teachers and students in a variety of different ways: as wider economic concepts; as personal financial skills or behaviours; or as numeracy. This variability only became apparent in the responses to open questions. This is problematic because there may be an assumption that financial capability is being covered by a school within a subject area, but this may overlook important elements of personal financial management. An agreed and widely disseminated definition is needed.
- There was evidence that a more coherent national approach to teaching financial capability at secondary levels would ensure better coverage for New Zealand secondary students.
- Financial capability is not perceived to have the same status as the curriculum learning areas or the key competencies, even though it is located in *NZC*. Financial capability appears in *NZC* as more of an example rather than a necessary component (Ministry of Education, 2007, p. 39).
- Financial capability is seen as important, but the extent to which it is seen to fit into classroom programmes varies. While school leaders saw the importance of teaching financial capability across the curriculum, this was not happening to the extent they would prefer.
- It appears that the extent to which financial capability is valued by schools and by individual teachers influences the extent to which it is integrated into subject areas.

## Supply and demand: the mismatch between student and teacher views

Students and teachers generally had different views about students' money management capabilities and financial capability learning in school.

- Teachers generally believe that students' money management skills are not high. Students, on the other hand, feel confident and knowledgeable about managing their money.
- Students reported lower levels of financial capability being taught at school than teachers did. Students reported getting/learning about financial capability from different places than teachers thought that they did.

## **Supply of financial capability unit standards**

- It appears from teachers' comments that a perceived lack of status of financial capability unit standards, and the subjects that offer these unit standards, is related to the lack of status given to financial capability itself. This has an impact on prioritisation and resourcing.
- While financial capability is partially assessed through unit standards, these standards and their associated assessments are subject to schools' willingness to provide them, and in some cases students' selection of them.

## **Mismatch between student behaviour and knowledge**

Students' knowledge of good money management strategies is higher than their reported behaviour suggests. For example, they are far more likely to know about making a personal budget than to actually have one. This gap between knowledge and actions is also consistent with other research (e.g., Stangl & Matthews, 2012).



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- Ministry of Education. (2007). *The New Zealand curriculum*. Wellington: Learning Media.
- Stangl, J., & Matthews, C. (2012). *How young New Zealanders learn about financial literacy: A longitudinal study*. Massey University. Retrieved 29 January 2013, from [http://www.massey.ac.nz/massey/fms/Colleges/College%20of%20Business/School%20of%20Economics%20&%20Finance/Long\\_Study\\_Interim\\_Report\\_Final.pdf](http://www.massey.ac.nz/massey/fms/Colleges/College%20of%20Business/School%20of%20Economics%20&%20Finance/Long_Study_Interim_Report_Final.pdf)