



Financial Literacy & Education in the State of Qatar – Current State & Educational Recommendations



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3. What Should be Included in a Financial Literacy Curriculum?
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Why Financial Literacy Matters



The financial decisions facing each one of us are multiple...

- Why and how do we prepare for retirement?
- How to use debt and credit to meet our life goals?
- What's the role of financial markets in the economy and how can we take an active part in them and benefit from them?
- What financial products are available to us and what risks and benefits are associated with them
- Which house should we buy? Where we should send our children for college?
- How taxes, VAT impact or will impact our financial future

There is a future expectation that we will manage greater financial responsibilities

- Noticeable trend of retirement planning moving from company/country's responsibility to that of the individual.
- A wide and complex set of options available: Annuities, ETFs, Bonds, Insurance plans with different risks, yields and maturities.
- Pressures on government budgets might possibly hinder future roles that governments can play in financially supporting citizens.
- People are living longer and healthcare costs are rising (due to increases in CVD and Cancer) meaning that retirement phase is likely to be longer but will require more money
- Too many choices: Financial Planners, Brokerage firms, Insurance Firms, Banks, Different Types of Credit Cards, Cryptocurrencies, Private Investment Clubs. We need financial literacy to understand and decide between all these choices

The results of the above trends are going to be of utmost importance and severely affect millennials and generation Z. Therefore, it is very critical to start preparing the youth from an early age and teaching them the skills they will need to navigate an increasingly complex financial world where they will be undertaking most of the financial decisions affecting their lives.

The current state of financial literacy worldwide, including the developed world, is worrying

- In an increasingly sophisticated financial world, financial literacy is still not prioritized in education curriculums of many countries in the world
- Multiple national surveys of both youth and adult financial literacy show serious lack of understanding of financial decisions, skills and products.(1)
- There is an increasing likelihood to fall for financial scams and abuses, especially in developing markets
- PISA Survey results suggests parents are the only source of financial information for kids but often times parents also lack the necessary financial literacy skills and education.
- Weak financial literacy isn't just a problem for the youth, it affects college students and adults too. Evidence suggests that unless exposed to financial education often and early on, adults are likely to continue being in a state of ignorance in regards to the financial world and products around them.

The current state of financial literacy worldwide, including the developed world, is worrying

- When high students were asked which high-school class would benefit you the most, the majority (51.4%) responded “money management” in a survey conducted by the national financial educators council.(*1)
- Less than one quarter of parents surveyed by The Hartford Financial Services Group say their kids are prepared to financial challenges that will face them in the real world.(*1)
- Research shows that individuals graduating from high schools in countries that require personal finance education have higher savings rates and net worth as a percentage of their earnings than individuals graduating from high schools in states where financial education is not mandated. (US Treasury)
- Only 1 in 4 students in the 15 countries that took part in OECD’s PISA financial literacy assessment of 2015 are able to make decisions on simple everyday spending while only 1 in 10 understand complex issues like income tax. (2)

The cost of financial illiteracy to Qatar are tremendous...

- Three out of every four Qatari households are in debt, owing an average of QR250,000 (\$68,700)
- QU researchers said that social pressures to “keep up” with peers, in terms of buying what is perceived to be the appropriate car, handbag or watch, is saddling many nationals of all incomes with significant debt
- +15 percent of Qatari households earn QR20,000 a month or less. Less than a ¼ of what the average income for Qatar families
- Elaborate and expensive wedding ceremonies are adding to the economic pressure, particularly on Qataris in their 20s and 30s, with more than half of Qatari nationals saying they feel it would be economically difficult to get married
- Qataris are tempted to carry large amounts of debt because local banks have very liberal policies when it comes to lending to nationals. It’s very common to lend up to 2,000,000 QAR without a collateral and just relying on salary only.

Benefits of having a financially literate population

- Population likely to diversify portfolio directing more investments to stocks, ETFs or index funds increasing market liquidity
- Prudent population with better saving and spending habits
- Responsible use of debt and credit*
- Macro-benefits: Potential increases in resiliency of banking and financial system
- Wealth preservation and general positive societal benefits

The importance of financial education is recognized globally from east to west and across the board and the need to act is more important now than ever.

- “The number one problem in today’s generation and economy is the lack of financial literacy” Alan Greenspan - Former chairman of US Federal Reserve
- “In light of the problems that have arisen in the subprime mortgage market, we are reminded of how critically important it is for individuals to become financially literate at an early age so that they are better prepared to make decisions and navigate an increasingly complex financial marketplace” Ben Bernanke – Former chairman of US Federal Reserve
- “It is important to learn how to earn the money necessary to pay for what we really need, to save for what we want in future, while helping the needy along the way” Bassel Gamal, Qatar Islamic Bank CEO – QIB’s Financial Literacy Series
- “Financial literacy is an essential life skill. Financial knowledge lays the groundwork for many important decisions facing all citizens throughout their lives, whether it’s evaluating a job contract, purchasing a first home, or much later, managing retirement savings” Angel Gurría - OECD Secretary General
- “ the benefits of financial literacy extend well beyond stronger household balance sheets to the promotion of a more resilient financial system and, ultimately, to the more efficient allocation of resources within the real economy.” Keith Hall – Assistant Governor Reserve Bank of Australia
- “Including financial education into the school curriculum in an on-going manner would hold the key to making our future generations financially literate.” DR. K.C. Chakrabarty - Deputy Governor Reserve Bank of India
- “For each of us, financial literacy is key to living our daily lives with dignity. It is also “a gift” that each of us has to give to him or herself, in order to be a dignified citizen of the world” Ardian Fullani – Governor of Bank of Albania
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These are clear and urgent call-to-actions from leaders to develop youth personal literacy programs. Indeed, many countries have taken steps to move forward...

Financial literacy education is still in its infancy but guidelines and standards and pilot tests are shaping curriculums and delivery approaches

- <http://www.cde.ca.gov/eo/in/fl/finlitk12.asp> (California Department of Education k-12)
- In the UK, financial literacy and education is introduced in Mathematics or PHSE* classes
https://www.pfeg.org/sites/default/files/Doc_downloads/APPG/Financial%20Education%20%26%20the%20curriculum%20-%20Final%20report%20-%20APPG%20on%20fin%20ed%20for%20YP%20-%20Dec%202011.pdf
- Washington State K-12 financial education curriculum standards
<http://www.k12.wa.us/CurriculumInstruct/FinancialEducation/pubdocs/FEK-12LearningStandardsOct2016.pdf>
- Australian National Consumer & Financial Literacy Framework
http://www.curriculum.edu.au/verve/_resources/National_Consumer_Financial_Literacy_Framework_FINAL.pdf
- Japanese programs on financial education at schools
http://responsiblefinance.worldbank.org/~/_media/giawb/fl/documents/misc/finlitedu-org-rtf/overall-tf/sogano-japanese-programs-on-financial-education-at-schools.pdf

Aware of the critical importance of financial literacy in today's complex financial world, banks and other international organizations are also contributing to developing financial literacy programs and guidelines

- <http://www.citigroup.com/citi/citizen/community/curriculum/kids.htm> (A CSR Campaign from Citi Bank)
- <https://www.pwc.com/us/en/about-us/corporate-responsibility/commitment-to-youth-education/financial-literacy-curriculum/thank-you.html> (PWC's Financial Literacy Curriculum)
- <https://www.fdic.gov/consumers/consumer/moneysmart/> (FDIC Financial Education Program delivered to 3 million people in the U.S)
- <http://www.oecd.org/finance/financial-education/> (OECD's Financial Literacy resource guides)
- <https://itunes.apple.com/US/app/id935202812?mt=8> (Money Made Easy – App developed by Qatar National Bank for children aged nine and above)

What Should Financial Literacy Education Programs Objectives be?



Objectives of a financial literacy program

The purpose of a financial literacy project targeting high school students is to increase the financial literacy across the following metrics:

- Knowledge of financial markets and their role
- Importance of financial planning for the long-term financial well-being of the participants
- Introduce the students to the Qatar Stock Exchange function, Qatar Central Bank function and the investing options available to the participants
- Equip students with tools for stock market investing, portfolio construction and risk management.
- Understanding potential returns and risks associated with financial trading.

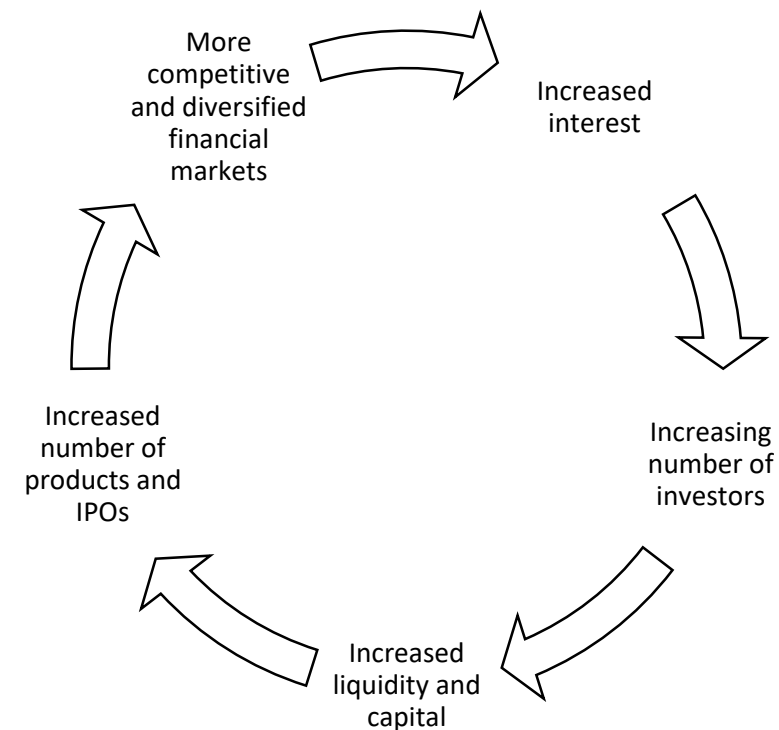
Contribution to QSE Vision and Qatar National Vision



Qatar Stock Exchange is the primary capital markets of the State of Qatar. It is the avenue through which private companies can raise capital from individual and institutional investors. The stock exchange has experienced an incredible growth since its inception. Nevertheless, the market is still in need of higher liquidity and more diversified financial instruments.

Relationship to Qatar Stock Exchange goals

- Financial literacy programs should aim to increase the general interest in the local stock exchange for the future investors of the country from an early age.
- Local interest in stock trading will encourage banks and brokers to offer more services to investors while reducing fees,
- Higher liquidity will encourage the introduction of more funds into the market and encourage the stock exchange to introduce more financial instruments such as index funds or ETFs currently unavailable in Doha.
- Increasing fund in the QSA will encourage private local companies to seek funds from the Local equity market hence achieving the goals of QSA.



- Following the financial crisis of 2007 many countries have realized the importance of increasing the financial literacy of their population in order to avoid a similar crisis in the future. It's striking that even in developed countries high percentage of the population lack basic financial literacy skills and the role of financial institutions like banks and stock exchanges in the economy is poorly understood. As a result, countries are investing large amounts of resources in teaching financial literacy skills from very early ages.

Financial literacy education contribution to Qatar National Vision of 2030

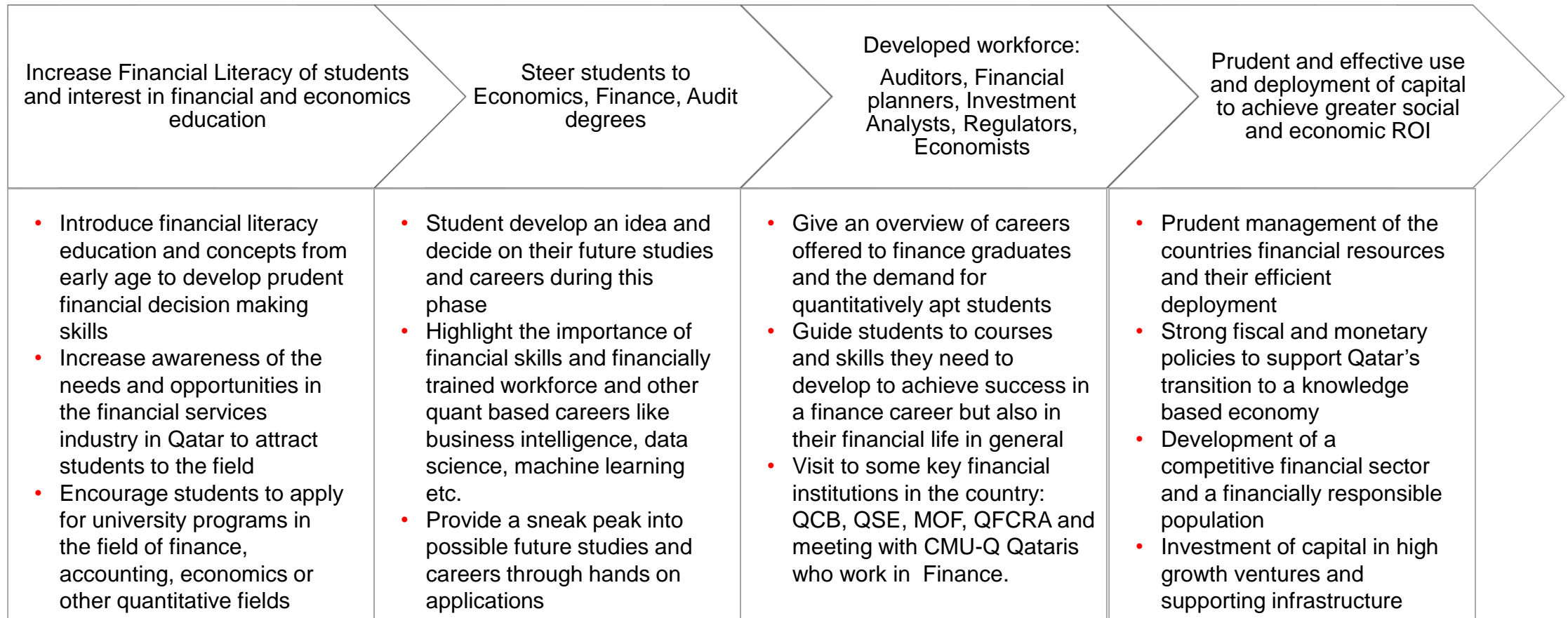
Economic Development Goals

- Increase in the financial literacy skills of the population of Qatar can help the stability and resilience of the economy
- Developing a population that undertakes sound financial decisions, uses debt to create wealth and understands the drawbacks of it, invests for long-term wealth creation
- Understanding financial instrument risks and benefits and avoid financial schemes or loopholes that can destroy wealth.

Human Development Goals

- The role of the financial services industry increasingly becomes very important as Qatar grows
 - Develop a population that can match that growth in terms of skillset.
 - Need money managers to effectively deploy capital and make sound investments
 - No better way to increase interest of students in studying finance and learning about financial management and planning than an early hands-on introduction to the topic
 - Financial instruments complexity increases and the need for knowledgeable workforce to navigate, manage and monitor that complexity is necessary
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Vision for a pathway towards a skilled workforce



What Should be Included in a Financial Literacy Curriculum?



Tentative curriculum, content and resources

Financial Markets & Investing	
<ol style="list-style-type: none"> 1. Introduction to Finance 2. Financial institutions and their role 3. Financial Markets & Financial Instruments 4. Financial data: What type of data do market exchange create and share? What's the purpose of that Data for regulators and investors? 	1 st Session
<ol style="list-style-type: none"> 1. What's a stock? Supply and demand at work: How stocks are priced? What should the value of a stock be: Introducing dividend paying stocks and future cash flow as determinant of value 2. What's a stock? Supply and demand at work: How stocks are priced? What should the value of a stock be: Introducing dividend paying stocks and future cash flow as determinant of value 3. How do you buy a stock? Introducing order types 	2 nd Session
<ol style="list-style-type: none"> 1. Understanding risk and returns 2. Portfolio construction and diversification 3. Investing for the long term: the role of age, investment horizon and liquidity and future withdrawal needs in setting investment strategy 	3 rd Session
Financial Planning	
<ol style="list-style-type: none"> 1. Building a cash flow projection for a monthly budget of cash outflows and cash inflows 	4 th Session
<ol style="list-style-type: none"> 1. Unexpected future risks and the importance of insurance 2. Introducing debt: <ul style="list-style-type: none"> • Debt a consumption smoothing tool, • Debt use for building wealth • Debt as an enabler of growth (Education, Business establishment) • Debt as a burden (Examples from the Qatari society and the burden it poses on the state) • Debt Schedule and Amortization application 	5 th Session
The regulatory financial players (optional)	
<ol style="list-style-type: none"> 1. Central Banks regulatory role and its supervision of banks 2. The monetary policy goals and tools of the Central Bank of Qatar 	6 th Session

What are the Expected Results from a Financial Literacy Program?



The expected results of our project are as follow

	Relationship between career choices, education and income level	Understanding money management basics	Financial tools proficiency	Retirement planning and investing	General Financial Knowledge
Learning objectives	<ul style="list-style-type: none"> Understanding why education matters and how it contributes to higher income levels Guide interested students into careers in financial sector Expose the students to the growth and need for a quant skilled workforce 	<ul style="list-style-type: none"> Ability to create a budget and forecast it Understand the purpose of financial institutions like banks and the services and products they offer Understand the role and goals of insurance Understand importance of planning in achieving financial goals 	<ul style="list-style-type: none"> Exposure to Excel/Google Sheets Ability to understand basic spreadsheet functionality Ability to interact and understand functionality of a trading platform 	<ul style="list-style-type: none"> Perform trades and investment decision in simulation environment Understand the goals and role of stock exchange Understand risk and returns Understand why diversification is important when constructing portfolios 	<ul style="list-style-type: none"> Introduce basics accounting and finance tools: 3-statements Understand compounding and perform several applications of compounding Time value of money with simple financial application
Metrics	<ul style="list-style-type: none"> % difference of cohort surveyed pre and post program interested in applying to finance, accounting, economics, statistics programs % student seeking sponsorship or traineeships with financial sectors institute in Qatar 	<ul style="list-style-type: none"> % student who can independently create and forecast a simple budget using a spreadsheet % correct answers on quizzes on banks products & services % student who can create independently 1 financial plan with financial goals 	<ul style="list-style-type: none"> Basic proficiency in using formulas, graphs and some financial functions Successfully finish 1 loan amortization Successfully finish 1 time value of money application 	<ul style="list-style-type: none"> Navigate a trading platform and place buy and sell orders % correct answers on Stock Exchange quizzes Ability to calculate a financial asset return % correct answers on diversification & risk quizzes Build a historical portfolio targeting a specific risk/return 	<ul style="list-style-type: none"> % correct questions on quizzes/tasks relating to financial statements Successfully perform a time value of money application % correct answer to compounding quizzes questions

Appendix & References



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