

**BANK OF ISRAEL**

Office of the Spokesperson and Economic Information

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Press Release:

**Remarks by the Governor at the Bank of Israel’s Financial Education Seminar**

Governor of the Bank of Israel Prof. Amir Yaron spoke today at a Financial Education Seminar held by the Bank of Israel. Following are his remarks:

Good morning.

First, I would like to thank all those who participated in organizing this important event.

Financial education is among the foundation stones of the economy’s development, and it is also an opening for us—those who deal in finance, markets, and the economy in general—to approach the public and expose these issues’ great importance to them in their private lives and their future.

The OECD defines financial **literacy** as the combination of knowledge, skills, access, and conduct required to make correct financial decisions that lead to the individual’s welfare.

That is, financial literacy refers both to **understanding financial terms and ideas** and to **acquiring “soft” skills that make it possible to make better financial decisions.**

In recent years, there have been accelerated cultural, social, and technological changes that have made our lives unrecognizable. The increase in international trade, the shift by banks and financial entities to digital platforms and numerous other developments in the financial market, have upgraded the traditional financial system and expanded the range of financial services that are available to the public.

Alongside that, these changes made the use of some services more complex, and thus required that the public develop additional skills that will enable it to deal with the financial opportunities and risks related to them.

One of the main ways in which to increase the public’s knowledge of these issues is by investing in financial **education.**

Investment in financial education makes it possible to deal with transferring knowledge and financial insights by educational programs through which consumers can improve their understanding of financial concepts and products.

Thus, consumers become more aware of financial opportunities and the risks alongside them and accordingly succeed in making responsible economic choices, which lead to improvement in their welfare.

There are many advantages to advancing financial education. First, investment in financial education impacts on the ability of a person or family that comes from a weaker socioeconomic background to improve their economic situation, and thus increases equality of opportunities in society.

Second, there is a lot of research that finds a direct link between the level of financial literacy and the level of financial inclusion.

Financial inclusion means creating equal access to financial services for the overall population, and it important both to the welfare of the individual and to the stability of the financial system.

Therefore, many countries recognize the importance of financial literacy and invest in integrating it among the public.

Thus, for example, in Europe, the US, and the UK, there are national financial study programs that are integrated into the study program of middle school and high school students.

In addition, in many countries the **central bank** promotes initiatives for increasing access to financial information for youth and adults on issues such as monetary policy, the exchange rate, and inflation. With them, there are also quite a few entities from the government, regulators, the private market, and the nonprofit sector that initiate and offer many programs.

We at the Bank of Israel have also put into action various programs for increasing financial education, some of them in collaboration and with the assistance of the banking system. The programs are designated for various groups: youth, senior citizens, Arab society, etc.

The results to date indicate that it is not enough to work on a case by case basis. It is important to join forces and include the issue at the national level and in a structural manner in order to generate impact that will lead to change.

**Today’s seminar is an important step in this direction.**

In addition, in recent years the Bank of Israel has promoted many reforms on the issues of making services, competition, and innovation accessible in banking and finance. These include the open banking reform that strengthens the customers’ control of information about them, the reform of no-cost rapid switching between banks, promoting innovation in the payments world, as well as implementing the EMV standard that enabled companies such as Google and Apple Pay to enter Israel, the establishment of a credit data system—consumer related, and soon for businesses as well, and the launch of the reforms to enhance transparency: the transparency reform in the mortgage market, and comparing interest rates on deposits and credit among banks.

In our view, promoting financial education programs among the public, together with the various reforms that increase financial access are a significant component in economic growth, reducing gaps in society, and financial stability.

Today in the seminar, you will be presented with updated data on the financial literacy of the Israeli public compared with the OECD, from a pioneering survey that we initiated recently, and the results will be disclose here for the first time.

One of the main findings of the survey indicates wide gaps within Israeli society in the level of financial literacy.

In order to reduce the gaps, it is very important to continue investing and promoting financial education program among the youth, who will eventually integrate into the labor market.

In particular, it is recommended to combine theoretical learning with practical learning that will enable students to experience making economic decisions and thus succeed in impacting on responsible financial behavior more effectively.

In addition, it is important to act for financial education among the adult population as well, as parents have a significant direct impact in the financial education of their children and on the family’s economic conduct.

We are aware that there are significant gaps in financial education between various population groups, notably among Arab society. Therefore, the financial education programs should be adjusted for the population groups and their various needs.

In the financial inclusion report that the Bank of Israel published last July, we recommended several steps to regulate the areas of financial education in Israel, including: defining a leading and inclusive entity, at the national level, that will synchronize all the entities and will promote activities in the financial education area, setting up a national portal that will include information on issues of financial education in various points of time in the citizen’s life, integrating financial education contents in the education system and formulating success indices to examine this integration.

We believe that closing the gaps will help both the individual as well as the economy and society as a whole, and therefore it was important to us to launch the issue and even to allocate resources to it.

Today’s seminar is the starting point for this activity.

I would like to thank everyone who worked to make this seminar a success, particularly the Director of the Communication, Public Affairs and Community Relations Department at the Bank of Israel, Ms. Nurit Felter-Eitan who initiated the seminar. Her Department is leading this important issue on behalf of the Bank of Israel.

I wish everyone an interesting and productive seminar.