

Traditional Credit Union

Submission to Financial Literacy Task Force

Economic Forces and Government Intervention

Economic and government factors are not sufficiently understood in information provision to consumers. There is more and more pressure upon financial institutions to provide information to their customers – however, do the customer understand it and does it really make any difference? In the case of Traditional Credit Union (TCU) which has ten branches in remote communities – we provide the legal required information to consumers but very few actually understand any of it. They bank with TCU because it is the only bank in the community – therefore there is a low level of competition.

Socio-Economic and Demographic Factors

Socio-economic and demographic factors are very important. Indigenous clientele in remote communities generally have a low level of education, there is a very high level of unemployment and a population with large numbers under the age of 15. The high level of unemployment leads to low self-esteem, especially for the male population who should be the providers but they see the welfare payments being paid to the women. School is not seen as being an integral part of community life and attendance is spasmodic.

Remote community schools are understaffed and under-resourced and therefore the level of education received by children in remote communities is not comparable to that received by children in the urban centres. However good the teaching staff are, they have to overcome the hurdles of mixed age/ability classes, a fluctuating attendance roll and community pressures. If financial literacy is to be taught in schools it is just another burden for the teachers who have to cope with teaching, an ever increasing administrative load, running the school etc. Such teachers are not trained to present financial literacy classes that are interesting, relevant etc. Experience in the UK of vocational qualifications being taught in schools has highlighted the need for staff to be trained to specifically teach the vocational subject and that it is not tacked on as part of a maths/economics etc. class. Reports show that students who have been taught by teachers trained in a vocational subject have fared much better than those taught by an academic teacher who has just added the vocational subject to his/her load e.g. a geography teacher teaching tourism.

While financial literacy may be added to the curriculum in schools this does not address the needs of the rest of the population who have left school. The low income earners, the unemployed etc. are the ones who need help. However, information on the Web, leaflets etc. will not reach these people since they find daily life difficult enough making ends meet. They do not

realise they need financial literacy help and therefore will not be wanting it – until massive debt or a crisis leads them to seek help. People who are living on the bread line do not have any money to save – as soon as they receive their money it is spent on everyday expenses, therefore it is necessity, not necessarily a desired behaviour on their part that leads such people to spend their money.

Understanding the Different Personal Characteristics

In remote communities any body offering financial literacy training/advice should be able to speak the local dialect. If the elder proportion of the population are being targeted then they will gain a greater understanding if the adviser can talk to them in their own language. Also, if printed financial information is provided in the local dialect then more people will understand exactly what is being said.

Children use their parents as role models and when families are caught up in a spiral of poverty they will follow suit since they don't know any better. Understanding the different personal characteristics of people in the community may be fine where people have a disposable income but it is the economic factors of poverty, lack of education, health problems that first of all need to be overcome.

Wants and Aspirations.

An appreciation of needs is certainly useful, aspirations not necessarily so much so. In remote communities people are struggling to afford the necessities of life, and few manage to save enough money to acquire goods that they aspire to. The high cost of goods in remote communities means that people rarely have any disposable income, their money is spent on the necessities of living. For those that are lucky enough to have a disposable income education on saving and budgeting would help them acquire the items that they desire.

Life Events in Remote Communities

Life events in remote communities are not as important as in the urban communities. Land/houses are not bought in communities, pensions rarely exist since most people are on Centrelink payments etc. Those that are in employment are expected to support the rest of their extended family, so really life events to people in communities have little meaning.

Learning Consumer and Financial Skills

For the majority of low-income families, the skills of planning and budgeting are the most important, since by this means then they may be able to save over time. Once people have enough disposable income to be able to save then the skills of market awareness, information sources etc come into play. In remote communities the major source of external information is the radio, followed by those lucky enough to have cable TV. Otherwise the advice of

friends, community members etc. is the way that people gain information upon which to base any decisions they may make.

These skills could be benchmarked by taking a snapshot of different communities over time. This would show if any advice, training provided has had an impact on the way people handle their money and associated decisions. This would probably best be done orally in many situations otherwise literacy skills would be an impediment.

Understanding Consumers Preferences

Advertisements, information on the Web, fliers etc. do not really reach the lower income families, and if they do they are of no interest since the information is not seen as necessary for every day living. Most printed information assumes a relatively high standard of literacy skills on the behalf of the reader – which in many cases is not so. Quite often information is gleaned by asking around among friends and family, and then acted upon. If financial advisers could talk to people in their own language, or if the advisers have a very good understanding of the needs of the population they are dealing with, then they could deliver outcomes for a proportion of the population. There are a large number of people who do not have the necessary English skills to understand the information that is currently available.

The Information Provider Consumer and Financial Education Programmes

There is a lack of basic financial information in a variety of indigenous languages, in other languages and in plain, simple English. However, people have to be aware that they need the information before they will go looking for it.

Many consumer are not aware of all the information that is available. Teachers often teach financial skills as an add-on to a subject e.g. maths and therefore do not have the time to research the information sources appropriately.

Many consumers, especially indigenous, from other cultural backgrounds and low-income earners, are not able to access all information. Many do not have the skill to access the internet, they do not use public libraries and are daunted by going to see a person in a bank who does not either speak their language or who does not explain matters simply. Also, low income earners may have low self-esteem which may be another barrier to seeking information. Available printed matter is way above the heads of many of the population.

While there may be some financial literacy education in schools there is little other consumer education available to the population as a whole. Whole groups of the population have been ignored so far.

Consumer Education Projects from Overseas

Consumer education projects from overseas are fine but they all tend to target school children and/or people who have the skills to access information from either the Web, banks etc. There is a large section of the population that has been ignored both in Australia and overseas so far:

- low income earners
- people from differing cultural backgrounds with a limited command of the English language
- indigenous people (these groups are not mutually exclusive).

An Integrated Solution

A co-ordinating body would hopefully ensure that the best use is made of available resources. Both Government and industry should fund this body – the government because it should be seen as part of enhancing the welfare of the population and industry since banks could plough some of their profits back into the community.

Research is an important factor since there is no point in providing a service that is not required. Partnerships and grants would be important since many people/organisations have the desire to run financial literacy projects but do not have the wherewithal so to do. Traditional Credit Union is piloting a financial literacy project but at the moment it looks as though this will cease in December due to lack of funding. The people at the coal face are the ones able to see what is required but they do not have the money to be able to produce the required materials/service that is necessary to help the community.

Traditional Credit Union is well placed within the Indigenous Communities to partner, pilot or undertake any program that the taskforce were to recommend.

Thank you for allowing Traditional Credit Union Limited to be part of the process

Kindest regards

***Frank Mills
General Manager
Traditional Credit Union
30 July 2004***