



THE ROLE OF NATIONAL BANKS IN EDUCATIONAL SYSTEM

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Abstract: The rapid advances in information technologies and the globalisation of our economies have led to a significant transformation of the economic landscape in recent years. In such a fast-changing and complex world, economic literacy is becoming increasingly important in order to enable citizens to efficiently participate in the society in which they live. Thus, economic literacy is of prime importance for the functioning of our societies. The scope of education has widened both in India and abroad covering new courses in diversified areas. Development of human capital is a national priority and it should be the endeavour of all that no deserving student is denied opportunity to pursue higher education for want of financial support. Loans for education should be seen as an investment for economic development and prosperity. Knowledge and information would be the driving force for economic growth in the coming years.

Keywords: Higher Education, Complex World, Economic Knowledge, Human Capital.

Introduction

Education is an important to the Human Resources Development and empowerment in any country. National and State level policies are framed to ensure that this basic need of the population is met through appropriate public and private sector initiatives. While government endeavours to provide primary education to all on a universal basis, higher education is progressively moving into the domain of private sector. With a gradual reduction in government subsidies higher education is getting more and more costly and hence the need for institutional funding in this area.

We are living in a time in which the communications revolution has flooded consumers with more information than ever before, even as the financial marketplace has become more complex. But simply having more information does not necessarily mean people have more knowledge because, as we now, in large terms knowledge

represents information with meaning and integrated with other contents of our understanding.

Today I can convey a sense of the enthusiasm and engagement with which I and my colleagues within the Federal System approach both the need for and the provision of economic and financial education. As we engage the public in current policy issues or as we and our staffs try to make the underlying concepts of our market-based economy accessible and interesting, there is, I believe, a very real commitment to this as a vital bank activity.

The rapid advances in information technologies and the globalisation of our economies have led to a significant transformation of the economic landscape in recent years. In such a fast-changing and complex world, economic literacy is becoming increasingly important in order to enable citizens to efficiently participate in the society in which they live. Thus, economic literacy is of prime importance for the functioning of our societies

The scope of education has widened both in India and abroad covering new courses in diversified areas. Development of human capital is a national priority and it should be the endeavour of all that no deserving student is denied opportunity to pursue higher education for want of financial support. Loans for education should be seen as an investment for economic development and prosperity. Knowledge and information would be the driving force for economic growth in the coming years

Realizing the importance of education for the economic development and the overall living standards, the RBI is involved in formulating progressive and proactive policy guidelines for lending to education by the banking system. A key element of a central bank's functional independence is its lasting control over the money base and its ability to freely choose the instruments which it uses to implement its policies. Another important element is a definitive prohibition of monetary financing of budget deficits. Personal independence means that the board members and staff of a central bank are personally protected from political pressure and influence. Key provisions in this respect include predefined terms of office for the members of the governing body

The purpose of this study is to highlight the necessity and importance of economic education and economic literacy in a market based society in our current times and how do various organisms – in our case, the national banks – involve in this matter. We found that many banks across the world, undertake financial education activities. These banks provide financial education products of varying complexity for different target groups, some in close cooperation with other institutions. We analyzed more profound the case of the National Banks.

Importance of the National Banks in Education System

The role of national banks in the field of education is understood as complementary to the tasks of the education system. The key significance of one of the major inventions of our age, namely the internet, cannot be overestimated. The vast majority of tools and programmes aimed directly at end users rely on the worldwide web. It is important to highlight that in the nation of unlimited information presented on the worldwide web, internet users will return only to those sites which they regard as particularly interesting and informative. Hence, we should give users the opportunity to express their views and put forward their suggestions. We must also give them a sense of involvement – and indeed, sometimes, of competitiveness. The efforts should also concentrate on initiatives aimed at what we call “multipliers”.

Activities aimed at professional educators and teachers were highlighted. These activities have two dimensions. On the one hand, there are programmes designed to increase the level of economic knowledge among teachers. These have proved invaluable, particularly in those countries in which market economics are at an early stage of development. On the other hand, we have seen a wide range of tools and programmes which central banks have designed for teachers to use in their daily work.

I believe that we will see both of these dimensions developed even further in future. Our cooperation with the education sector should be characterized by an attitude of deference and a spirit of teamwork. We should not forget that even a tool or programme which we consider optimal will be worthless if the information conveyed is incomprehensible, fails to excite interest and does

not “stick” in the minds of schoolchildren and students.

Effective communication not only improves the acceptance of monetary policy and the credibility of central banks, it also helps to avoid monetary policy surprises which might trigger unnecessary volatility in the economy. It also gives the public a better understanding of a central bank’s strategy, analysis and policy conduct. This is important for private sector risk management and thus for economic efficiency and stability. If the private sector has a good understanding of a central bank’s policy conduct, it will better understand the conditional co-movement of short-term interest rates and major macroeconomic variables. This, in turn, will help to improve the management of risks by consumers and firms – for example, through a wise choice of the maturity and flexibility of financing.

The main emphasis is that every meritorious student though poor is provided with an opportunity to pursue education with the financial support from the banking system with affordable terms and conditions. No deserving student is denied an opportunity to pursue higher education for want of financial support. In short, the scheme aims at providing financial assistance on reasonable terms: to the poor and needy to undertake basic education. To the meritorious students to pursue higher/professional/technical education

At the outset, let me say that central bank support for economic and financial education is a form of enlightened self-interest. We recognize that an informed public -- a public that understands our role in the economy -- will be far more likely to understand and accept the reasoning behind the difficult decisions that central banks sometimes have to make. Moreover, monetary policy must

consider such matters as inflation expectations on the part of consumers, businesses and markets, and their confidence in central bank resolve -- so as we make and implement policy, public understanding of economic and financial matters is very helpful.

In order to gain trust from the public, organizations shall not only provide quality products and services, but also develop responsible and ethical staff. Empowerment is important in establishing open organizational education. Management shall have trust on their staff for policy involvement and decision-making. Empowerment not only means staff involvement in devising organizational policies, but also delegation and participation in decision-making

The need for financial and economic education is not new, however. For decades, government and non-profit organizations have been trying to address what they see as a serious gap in the curricula of our K-12 school systems. Nationally representative organizations such as the Council for Economic Education (previously known as the National Council on Economic Education), and the National Endowment for Financial Education are among a growing group of supporters that have recognized the problem and are taking action to address it.

Economic education and literacy is crucial for economic efficiency, the conduct of economic policy and thus welfare. Some central banks consider their financial education activities a core competence and give them a prominent role, whereas the “educational visibility” of others is limited. Several national banks have recently launched financial literacy campaigns. Because providing financial education is neither among the statutory duties of central banks nor among their core competences, mission statements or descriptions of main central banking tasks do not

specifically reflect educational commitments. it contributes to an efficient distribution of resources. A basic understanding of the working of their economic environment improves people's ability to obtain the information they need and to make the best choice among different alternatives.

The Contributions of Banks in Education

Banks are uniquely positioned to provide education, as they can bridge theoretical economic concepts, such as scarcity and opportunity costs, with practical "money-in-the-pocket" services, and supplement them with the necessary financial products. Access to low-cost financial products is particularly valuable for "unbanked" and "underbanked" clients; connecting financial education with financial products allows all individuals to become fully integrated in the traditional financial system, setting them on the path to wealth accumulation

Education helps consumers by offering them the knowledge they need to make sound financial decisions and secure their economic futures. But banks can also benefit from education in a number of ways. At a time when competition in retail banking is fierce, targeted financial education programs can open new roads into untapped populations, such as the immigrant and under banked markets. In addition, financial education programs can also create goodwill at the community level and strengthen relationships with local customers and community partners. In some cases, banks can also receive Community Reinvestment Act credit for providing financial education to low- and moderate-income individuals.

National Banks require knowledge to fulfill their responsibilities and are thus important knowledge centers of economies. Banks range among the most

prolific producers of knowledge.⁴ Moreover, Banks' knowledge pool is expanded steadily through their contacts with the general public, policymakers, and economic and (economic) science institutions. These contacts enable central banks to identify new developments and academic findings without delay and to benefit from them in fulfilling central banking functions.

"Businesses not only must deal with hard- number economic realities, but they also have to address the perceptions and beliefs of their customers. Thus, organizations must adjust to the changing outlook of the consumers who buy what they try to sell. It's not certain, however, what form this adjustment should take." (McEwen, 2008)

Taking deposits, granting loans and providing complementary services are the core business of banks. No matter what kinds of countries, what kinds of culture, and what kinds of banking products and investors, banks need to be responsible for their customers in a social responsible way. All in all, Corporate Social Responsibility in banking industries shall comprise the above-mentioned elements: risk assessment, effective and efficient internal audit process with value added to stakeholders. Hence, in order to maintain competitiveness in the market and responsible to customers, bankers need to understand the economic situation, re-focus marketing strategy with prudent risk management system, identify the concerns of customers, implement fair operation procedures to protect customers and the community as a whole.

Banks' contribution to strengthening citizens' financial capability and economic literacy is an excellent investment, simply because it is investment in knowledge, which according to Benjamin Franklin, "always pays the best interest."

A number of central banks have thus lately expanded or updated their economic and financial information products and more or less institutionalized educational activities as part of their functions.

Bank Basic Activities in Education System

Education activities represent an important and yet specific cornerstone of banks' communications strategies. The type of knowledge transferred depends on the target group: Among the important audience of schoolchildren, primary schoolchildren (aged up to 11) are the first target group. The aim is to familiarize these children with basic, easy to understand money concepts in an entertaining fashion.

Second, education initiatives for secondary schoolchildren (aged 12 to 19) are based on special education packages intended to complement the school curriculum and focusing on money management and economic fundamentals.

College or university students are the third target group. Many central banks have prepared advanced level packages containing a mix of academic literature, presentations, roundtable discussions and special seminars or courses.

The fourth target group is made up of mainly secondary school teachers. A number of banks have prepared special packages for this target group, given that it has a strong multiplier effect. Economics seminar series are one such focus. Another focus is targeted teacher training material (handbooks, slides, quizzes, questionnaires) on money, monetary policy and economics.

Additionally, some banks periodically run information campaigns, availing themselves of the mass media – TV, radio, high-circulation newspapers and news magazines – as multipliers to

inform the general public about monetary policy and other activities and areas with the intention of enhancing financial literacy. In addition to producing knowledge themselves, central banks also benefit from external expertise in their fields. Therefore, central banks promote a wide variety of academic activity and facilities, ranging from special research institutions, which they finance in part or completely, to endowments and funds that provide research funding, to grants, awards for academic work, subsidies, sponsorships and donations. This study will only refer to financial literacy-related educational facilities and activities (seminars for central bank employees or the public, special awards in tertiary education).

Involvement of Banks in Students Education

For students looking to finance their educations, seeing the government as a lender of last resort might be appropriate, since many college students would turn first to their parents if family resources permit.

Banks provide collateral for their loans in the form of securities such as Treasury bonds, and the owners of banks must finance their activities in part with their own capital at risk. It is natural to view college students as solvent-but-illiquid to the extent that their education unleashes the higher future earnings with which to repay their loans. Students thus put up as collateral their own human capital: it is quite difficult to walk away from student loans, meaning that a college-age borrower's future earnings effectively serve as the surety for repayment. Indeed, a further motivation for the low interest rate proposed by government is the concern that the burden of college debt is having a negative impact on graduates. On the other hand, others have raised concerns that easier financing spurs higher college tuitions and thus does not improve college affordability.

The analogy between banks and students is not perfect. A challenge for making the connection between the interest rates charged to banks and to students is that the generally provides overnight lending at the discount window, whereas students have 10 to 25 years to repay their loans.

The other potential difficulty for students in connecting their loans to government support for banks is that to get access to the discount window, banks are subject to a wide-ranging regulatory and supervisory regime. For college students, the analogy would be to have a government examiner watch to make sure they do their homework and get through the required readings ahead of a lecture. As a faculty, I can see the attraction of fleshing out this aspect of government proposal to give college students the same support as banks.

Conclusion of the Study

The modern world is a complicated place where knowledge is the source of power. Education and literacy generates knowledge. It gives people the tools to understand economic and financial issues and to interpret events that will affect their financial futures. In current times there is a formidable challenge in raising the overall level of economic and financial literacy in countries all over the world. This process will require the support and resources of those at the top; creativity in engaging a wide array of audiences; collaboration among providers; reaching out to teachers; and most of all a commitment to making all this as much fun as possible.

An important provider among all in a country is the banks. National banks' contribution to strengthening citizens' financial capability and economic literacy is an excellent investment, simply because it is investment in knowledge. A number of banks have thus lately expanded or

updated their economic and financial information products and more or less institutionalized educational activities as part of their functions. Some important remarks regarding the involvement of banks in fostering economic education and literacy are:

- 1) The effectiveness of the monetary policy with a view to meeting the national banks' mandate of ensuring price stability also depends on the economic and financial literacy of the public;
- 2) An important aspect is the cooperation of the banks with various professional educators, teachers and public groups which have a significant impact on the general public's opinions and level of knowledge;
- 3) National Banks are searching for effective and competent partners with skills which complement their own because efforts aimed at increasing the public's awareness of economic and financial issues always involve costs.

We should bear in mind that the fruits of the involvement of national banks will not be reaped in the immediate future. These are long term investments – an investment in education, aimed at the younger generations in particular. The returns on this investment will be seen in the years to come. This paper has also highlighted issues of education and literacy in national banks have the potential to make to developing and developed nations in terms of education, empowerment, democracy, and freedom need to be seen in this light

Broadly speaking, central banks can choose from among three different media in their public relations work: they can opt for traditional print products, visitors or education centers (frequently money museums), and e-education modules. E-

education is provided either on the central bank's own website, via separate websites (as in the case of money museums), or via separate online platforms. As attendance figures confirm, education or knowledge centers, which concentrate central banks' educational material (and exhibitions as well as lectures), have become especially popular. A few central banks put education products and services online nearly as soon as these are completed and present every product and service within a well-structured framework.

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