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Senior Specialist
Financial Capability
Australian Securities and Investments Commission

Via email

Online: Financial.Capability@asic.gov.au

Dear Sir/Madam,

Review of school banking programs: Consultation Paper 323

CPA Australia represents the diverse interests of more than 164,000 members working in 150 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.

CPA Australia supports efforts to improve Australians' financial literacy and numeracy, and agrees that wherever possible, a proactive effort should be undertaken, with children educated from as early an age as possible. However, we believe that the benefits themselves need to be better known and more broadly stated, and form a more obvious component of clearly stated goals for financial literacy in Australia.

We also highlight the obvious problem that, if there are benefits to be had from participation in school banking programs, underprivileged Australians such as First Nations Australians, newly arrived refugees or those who are socially disadvantaged through long-term unemployment or chronic health issues simply will be unable to benefit.

Our response to the questions asked in the Consultation Paper form an attachment to this letter.

If you have any queries do not hesitate to contact Richard Webb, Policy Advisor Financial Planning & Superannuation at CPA Australia on richard.webb@cpaaustralia.com.au or 03 9606 9607.

Yours sincerely

Dr Gary Pflugrath CPA

Executive General Manager, Policy and Advocacy
CPA Australia

Attachment

The numbered responses below are provided in response to the questions in the consultation paper.

1. Do you consider there are or may be benefits to students opening and maintaining bank accounts through a school banking program? If yes, please outline any perceived benefits and provide supporting information, if available.

The research results included in Consultation Paper 323 (CP 323) suggest that there are benefits to students opening and maintaining bank accounts through a school banking program.

However, the presence of banking entities in Australian schools does not appear to be accompanied by a statement stating in plain English what it is that the programs are designed to achieve. Our understanding may be enhanced by providing interested parties with a series of statements as a window to what it is which parents may expect from participation by their child's school in a banking program. Also, it might suggest, via questions put to respondents, that children who participate may:

- gain knowledge about how banking works; and
- learn the importance of regularly saving money.

These suggestions could provide a benchmark, where parents are asked to compare the value derived by their children from the use of school banking programs against the ability of the parents to teach their children about these concepts.

Figure 1 of CP 323 would appear to provide conflicting evidence of the effectiveness of the programs. There, 59% and 68% of respondents respectively agree with the suggestions that students gain knowledge about banking and the importance of saving money. However, the 53% of respondents who believe that they have the ability to teach their children about this contradicts these results to an extent, suggesting that parents are either able but unwilling to teach their children about banking and saving, or that the programs are less effective at teaching children than what parents are capable of doing.

A more important question of whether there are benefits in excess of a reasonable benchmark, such as the ability of parents to impart these skills more effectively means that these research results are inconclusive in clearly articulating benefits.

CP 323 also provides the following two hypotheses to be tested:

- that primary school age children are too young to be able to meaningfully be able to develop regular savings habits; and
- that primary school age children are too young to meaningfully be able to learn about the value of saving for something.

Although the responses on page 11 would appear to indicate that parents largely agree with these hypotheses, CP 323 also notes some evidence of young children engaging in a meaningful way where they are fully engaged, such as filling in deposit slips themselves or self-motivating towards increasing their savings, rather than being reminded by parents. This engagement appears to indicate future effectiveness in relation to savings behaviour.

We would suggest, however, that use of school banking programs to test these hypotheses may itself have some selection bias built into it, in the absence of students who are not participating. Further questions to consider include:

- How are “regular savings habits” defined?
- How is the perception of value measured in relation to saving?
- How are meaningful results benchmarked?
- Are students who either do not participate at all, or who opt-out in favour of parentally-led savings, measured for comparison purposes?

We would suggest that these questions need to be resolved before the hypotheses above can be meaningfully addressed. We would also suggest that the benefits associated with school banking programs should be rigorously tested to Kirkpatrick's four-level evaluation model to ensure that measurable outcomes are able to be appropriately benchmarked, specifically:

- Level 1: Do students believe that they gained an appropriate benefit from participating in the program?
- Level 2: Have students demonstrated any measurable gain of knowledge from participating?
- Level 3: Did students' behaviour change as a result of participation in the program?
- Level 4: Was there a net benefit to students or society more broadly as a result of the students' participation in the program?

CPA Australia members have a duty to the broader public interest. We therefore are of the view that public policy matters such as school banking programs must be considered with the broader costs and benefits to society in mind.

2. Do you consider there are or may be drawbacks to students opening and maintaining bank accounts through a school banking program? If yes, please outline any perceived drawbacks and provide supporting information, if available.

We note that there are a number of reasons given as to why parents choose to opt-out of the programs. Although previously in CP 323, we note that 53% of respondents believes that they could teach their children about banking and saving as a school banking program, this does not appear to have rated highly as a reason why parents have chosen not to enrol their children in a program.

Whilst we agree that the reasons provided on page 12 of CP 323 would at first glance constitute valid reasons for not enrolling one's children in a school banking program, we note that only one of the reasons given relates to concern about educational outcomes. This would appear to suggest that parents' concerns in relation to the effectiveless (or otherwise) of school banking programs is dominated by issues in relation to perceptions of the product or provider, rather than any educational viability.

More broadly, we note that there are considerable criticisms levelled at school banking focus on the value of the programs to the providers themselves, rather than the students. Eapen (2018) notes that an average lifetime customer value of a little over $75,000 each, or just under $10 billion overall, for students enrolled in school banking operated by the Commonwealth Bank. Eapen's analysis suggests that a figure of $400,000 (quoted by Bavas 2018) paid in one year by Commonwealth Bank to access schools in Queensland makes this a profitable venture.

The idea that it is the providers benefiting, rather than the students, may be considered the most significant drawback.

3. Financial literacy education is embedded in the Australian Curriculum. Do you believe that school banking programs provide beneficial educational opportunities not available through the curriculum? Please provide supporting information, if available.

The Australian Curriculum (2019) includes a great deal of conceptual ackowledgement of financial literacy being taught as part of the curriculum requirements. However, the curriculum talks about "strong connections", "engaging and authentic contexts", "weave content" and cross-curriculum. Therefore, it seems that the overview is not willing to state overriding goals for which the curriculum is striving for in the teaching of financial literacy. This is a weakness which is also highlighted by Worthington (2013:21).

ASIC (2011) suggests objectives for students by the ends of years 2, 4, 6, 8 and 10, however these do not appear to have a unifying list of principles to tie them together. While this is not necessarily helpful from an overall perspective, at the very least we are able to assess the role of school banking programs from the perspective of whether they meet any of the objectives highlighted for years 2, 4 or 6.

We are not aware of any deficiencies in the curriculum which are met through the involvement of school banking programs.

We are also not aware of any skills which students are provided with through school banking programs which are not specified in the curriculum.

4. Do you have concerns about financial institutions marketing to young primary school students? Please provide supporting information, if available.

We note that state governments have been careful to ensure that there is considerable local consultation in the case where a school chooses to offer banking to their students. The Queensland Government (2019) provides the following guidelines in respect of school banking programs:

> *Participation in student banking by a school is a local school community decision. Principals must ensure there is community agreement e.g. endorsement from the Parents and Citizens' (P&C) Association, School Council (Independent Public Schools) and consultation with parents when considering whether their school will participate in a student banking program.*
>
> *For schools that choose to participate, it is not mandatory for any student to take part in the program.*
>
> *While the student banking contract allows the banking provider reasonable access to students to provide information, the provider must seek permission from the school principal before having any contact with students.*

Whilst the involvement of P&C Associations and School Councils provides some assurance that the needs of a cohort of students will be considered carefully in the offering of these services, the ultimate decision in the Queensland Government's guidelines rests with the school principal.

The broader question of whether marketing to school students is appropriate is a vexed one. The financial author Scott Pape (Bavas 2018) is quoted as saying that these programs are designed to increase market share, with future products, such as credit cards and personal loans, being offered once children are in the banks' databases, as they are considered fair game for targeted marketing campaigns. Drummond (2015) quotes former senator Sam Dastyari as questioning whether this is "grooming" future clients.

In the short term, issues such as environmental protection and sustainable refuse disposal mean that items such as small plastic toys used in promoting school banking programs – and themselves the subject of recent media involving the large supermarket chains – are at the very least of questionable value. Even if the problems associated with waste could be appropriately addressed, the question remains, how do these and other marketing props assist children to lean more about banking and saving?

5. Do you consider there are or may be negative consequences if financial institutions no longer offer bank accounts to students through school banking programs? Please provide supporting information, if available.

Drummond (2015) lists entities such as the Commonwealth Bank, the Customer-Owned Banking Association and the New South Wales Department of Education as providing benefits to students which may be lost in the event that financial institutions were no longer able to offer school banking programs. Benefits identified by these entities have a common thread associated with financial literacy and numeracy, indicating that these entities believe that there would be adverse consequences in these areas, should the programs be ended.

Sawatzki and Blue (2016) on the other hand point out that children learn about money management in different ways, and that financial literacy is generally taught best when tasks are tailored to student needs. The involvement of large institutions may be a broad-brush approach which is ultimately not effective (see also Worthington 2013).

We consider that our response to question 1 would assist in identifying further benefits which may be lost in the event that financial institutions no longer offered accounts to students in school banking programs. However, we also note that lost benefits here may be illusory, with synthetic analogs being potentially made available to fill any voids, including:

- simulations via websites and mobile applications; and
- gamification in the form of mobile applications and other software, or non-digital solutions including card or board games.

We note the increasing dialogue in the superannuation and managed investments space regarding the convergence between statements, projections, advice and calculators. Given the considerably vanilla format of bank statements, there may even be opportunities in making financial involvement by financial institutions less specific to bank products.

The role of technology to fill any void left by financial institutions vacating this space should be considered.

6. Do you support financial institutions offering bank accounts to students through school programs? Please provide supporting information, if available.

CPA Australia does not offer a view on financial institutions offering bank accounts to students through school programs.

7. Are there changes that could be made to how school banking programs operate, to improve students' understanding of money and the importance of saving (such as incorporating more digital elements)? If yes, please provide supporting information, if available.

We note that school banking programs are premised on a world which involves the use of cash for financial transactions, and that this world is increasingly turning towards digital payment methods. Nevertheless, we are uncertain whether a premise which assumes away cash entirely is likely to be of any greater or lesser benefit to students than one which is predominantly built on cash.

We are also concerned about an area which is peripheral to this investigation, and believe should be considered: Schools handling cash are likely to be subject to increased risk and this manifests itself in two key areas, the cost and logistics of increased security, as well as the complications and costs of insurance coverage. The use of banking solutions where cash handling is minimised would have the advantages of reducing or even eliminating these considerations.

This brings us to a central premise of a school banking program which cannot be ignored: The availability of financial resources. Underprivileged sectors of the Australian community are less likely to participate in such programs when the ability to make deposits – the threshold transactions required as an absolute minimum by these programs – is impossible. If there are benefits to these programs, how do the programs benefit those sectors who cannot participate due to lack of funds, such as First Nations Australians, newly arrived refugees or those who are socially disadvantaged through long-term unemployment or chronic health issues? CPA Australia believes that programs whose effectiveness depend on social standing must be re-considered.

8. Is there any other information you would like to provide that may enable us to better understand how school banking programs operate and to provide high-level principles on the delivery of school banking programs?

CPA Australia has no further comments to add.

9. If you are a school or an education authority, what policies or processes guide you when deciding whether to engage with school banking (or similar) programs? Please provide supporting information.

CPA Australia is not an entity named in the question.

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