Social Studies

Year 1

SECTION

10

FINANCIAL LITERACY

PRODUCTION, EXCHANGE, AND CREATIVITY

Financial Literacy

INTRODUCTION

Globally, a high proportion of people in many developing economies do not have easy access to even basic assets such as bank accounts, let alone access to financial markets, including the stock market. In Ghana, many people do not know much about managing money, which makes them easy targets for people who try to take advantage of them, like "Susu" collectors and unregistered microfinance institutions. The financial system in Ghana changes a lot and can be unstable.

Therefore, knowing how to save, borrow, manage money, use insurance, and invest is important for making the best financial choices for your future. Interestingly, most Ghanaians do not have good financial literacy, some financial companies, especially investment firms and savings and loans companies, take advantage of this and abuse them. Examples of these are the DKM Ponzi Scheme and Menzgold, (NAM 1) which both collapsed in 2016 and 2018. Financial literacy is also low among high school students, indicating that the next generation of adults is not prepared to face the financial challenges and changes that are ahead of them.

Hence, it is important for us to learn this section so that we can make better decisions about things like investing in safe bonds and treasury bills, borrowing money when needed, and planning for retirement.

At the end of this section, you will be able to:

- Discuss the concept and features of financial literacy.
- Examine strategies for ensuring financial security.
- Examine ways of ensuring sustainable use of public finances.

Key ideas:

- The term "financial literacy" refers to understanding a variety of important financial skills and concepts.
- Financially literate Individuals are generally less exposed to financial scams.
- Key aspects of financial literacy include knowing how to create a budget, plan for retirement, manage debt, and track personal spending.

- Financial literacy skills promote the financial self-support, stability, and well-being of an individual.
- It helps the individual and the community to make informed decisions about financial obligations, budgeting, credit, debt, and planning for the future.
- A strong foundation of financial literacy can help support various life goals, such as saving for education or retirement, using debt responsibly, and running a business.

CONCEPT AND FEATURES OF FINANCIAL LITERACY

The Meaning of Financial Literacy

Think carefully, have you ever asked for money from your parents or guardians? Do you always get it from them when you ask? Probably not because conditions of life are not permanent. Throughout your life there will be situations where you will have enough money to spend and others where you will not have money to spend.

Therefore, anytime you get money you have to plan and manage it well so that when you are in need you will have security. The process of having such knowledge and skills is what we are referring to as financial literacy. Financial literacy simply means knowing how to use important money skills in your life. This includes managing your money, making a plan for spending (budgeting), saving for things you need or want, and even growing your money by investing. These skills help you make smart choices with your money.

It is a skill that individuals need in order to manage their finances effectively. It involves having the knowledge, skills, and understanding to make informed and sensible decisions about personal financial matters. This means learning about important things like how to make a budget and stick to it, saving money for the future, making smart investment decisions, understanding how to borrow money responsibly, managing and paying off debt, and planning for long-term financial security.

Fig. 10.1: Some students and teachers attending a financial literacy programme.

With this knowledge, you can manage your money well, handle difficult financial problems, understand different financial products and services, and make good decisions that match your financial goals.

Features of Financial Literacy

1. **Budgeting**
   One feature of financial literacy is budgeting. Budgeting is the process of creating a plan for how to spend and save money. It helps people track their income and expenses, ensuring they do not overspend and can save for future goals. For us to understand it better, let us use this scenario. Kukua receives 100 cedis a month as pocket money. Instead of spending it all on food and entertainment, she saves 20 cedis for future needs; uses 60 for school supplies and keeps 20 for leisure activities. This action of Kukua is what we are referring to as budgeting.

2. **Saving**
   Saving is putting aside money for future needs, emergencies, or long-term goals. Savings ensure that individuals have financial security in case of sudden events and allow for future investments. For instance, a worker sets aside 10% of his/her monthly salary in an account to build an emergency fund. After a year, he/she will save enough to handle medical emergencies without borrowing money.

3. **Borrowing Responsibly**
   Borrowing responsibly means understanding the terms of a loan, borrowing only what is needed, and ensuring there is a plan in place to pay it back. Being financially literate helps individuals avoid taking on too much debt. For instance, if a young student needs to take out a student loan for college, he /she must borrow only what is necessary to cover tuition and books and create a plan to repay the loan after graduation. This is what we call responsible borrowing.

4. **Managing and Reducing Debt**
   Debt management is about handling borrowed money wisely and paying it off over time. Financial literacy helps people understand the importance of reducing

high-interest debts first, like credit card balances. Thus, if a person has two loans and one has a higher interest, the one with the higher interest should be paid first. This helps the individual to save money in the long run.

5. **Investing**
Investing involves putting money into financial products, like stocks, bonds, or savings accounts, to grow wealth over time. Financial literacy helps individuals understand the risks and rewards of different investment options. For example, as a young person, you may decide to invest in mutual funds or bonds managed by professionals and get higher returns in the future. **Investment allows your money to grow.**

Fig. 10.2: A picture showing investing choices

6. **Understanding Financial Products and Services**
Another key feature of financial literacy is the understanding of financial products available in the market. This knowledge allows people to make sense of different financial products and services like loans, savings accounts, insurance, and retirement plans. It helps them choose what is best for their needs. For example, a family may have to choose between two types of insurance; one that offers basic coverage and a more expensive one that provides full protection. They will have to weigh the benefits of each, based on their financial situation, and choose the one that best suits their needs.

7. **Planning for Long-Term Financial Security**
Planning for long-term financial security means preparing for future needs, like retirement or children's education. This involves saving and investing over time

to build financial stability. Understanding pension plans and other retirement savings options, as well as Social Security, and how delaying benefits can increase monthly payouts is a key feature of financial literacy.

8. **Avoiding Financial Scams**
Financial literacy involves identifying and avoiding scams, frauds, or risky financial schemes that promise quick money but often lead to losses in the financial market. A case in question is recognizing a scam or fraud when a person comes to you with a high-return investment opportunity which has no risks.

Fig. 10.3: Financial scammers operating

Fig. 10.4: Apprehended financial scammers

9. **Understanding Interest Rates and Inflation**
Financial literacy is about understanding how interest rates (the cost of borrowing money or the return on savings) and inflation (the rising cost of goods and services over time) affect individual finances. For example, if a person is earning 2% on his /her savings annually and inflation is increasing the cost of goods by 3% annually he/she will get to know that the money in the savings account is losing value over time because the interest earned is less than the inflation rate.

10. **Setting Financial Goals**
Setting financial goals is a key aspect of financial literacy. It involves identifying short-term, medium-term, and long-term objectives, such as saving for a vacation, buying a house, or funding education. For example, a teenager sets a short-term goal to save 300 cedis over six months to buy a new bicycle. He/she creates a savings plan, putting away 10 cedis every week until he/she reaches the goal.

Fig. 10.5: Picture of financial goal

Activity 10.1

1. Ama is a 14-year-old student who wants to save money for her future. She receives a small allowance every month from her parents. Recently, she has been learning about financial literacy in school. Ama knows it is important to budget, save, and make smart financial choices.
   a. What could Ama learn about to help her to manage her money wisely?
   b. How can creating a budget and saving part of her allowance help her in the future?
2. Work together in pairs to come up with a poster that explains what financial literacy is. This poster should be aimed at Ghanaian teenagers to help educate them. Plan your poster below.
3. Challenge task: research one of the following and note down the risks and benefits of this area of financial life. Give examples from current financial providers if you can find them.
   a. Investing in the stock market.
   b. Savings accounts in banks.
   c. Getting a mortgage.
   d. Getting a business loan.
   e. Investing in a private business.
4. Work in pairs to create a budget which includes a plan for savings. Use the template below. Share your budgets with the class if you would like.

Income	
Amount I receive each week:	
Outgoings	
Categories	**Amount**
Food	
Leisure	
Transport	
Saving	
Books/school supplies	
Clothing	

5. An important part of financial literacy is that it will help you to achieve your goals in life by providing you with financial stability.
   With your elbow partner, discuss your financial goals in the short, medium and long term. What aspects of financial literacy will you need to consider?

My Goals		Why do I want this?	What do I need to think about to help achieve this goal?
Short Term (next six months)			
Medium Term (by the end of SHS)			
Long Term (by the time you are 30 years old)			

Importance of Financial Literacy to the Individual

Financial literacy helps people make better decisions about their money. Here are some key benefits.

1. **Avoiding Costly Mistakes**
   Knowing about things like changing interest rates on loans or retirement account rules can help people avoid mistakes that could cost them money or affect their

plans. For example, understanding that floating-rate loans can have different interest rates each month can prevent unexpected increases in monthly payments.

2. **Preparing for Emergencies**
   Learning about saving and being ready for unexpected expenses can help people handle tough times, like losing a job or facing a big or unexpected bill. Regularly setting aside money in an emergency fund can provide a financial cushion during uncertain times.

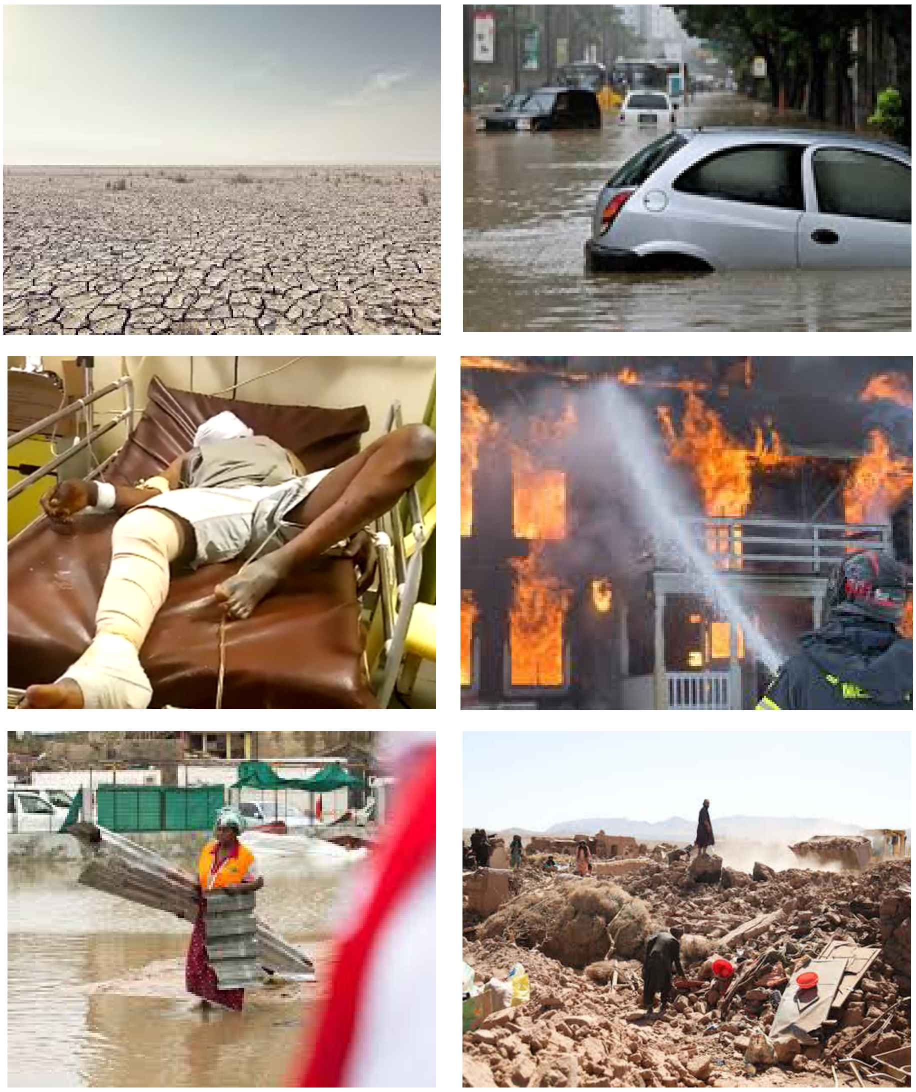

Fig. 10.5: Pictures of disasters that can happen to you and your family

3. **Improving Financial Health**
   Financial literacy helps individuals manage their money more effectively, leading to better financial health. This includes understanding how to reduce debt, improve credit scores, and make informed investment decisions. Over time, these practices can lead to greater financial stability and independence.

4. **Enhancing Quality of Life**
   When people are financially literate, they can make choices that enhance their quality of life. This might mean being able to afford better healthcare, education,

or even taking vacations. Financial literacy empowers individuals to use their money in ways that improve their overall well-being.

Fig. 10.6: A picture showing some components of quality life.

5. **Financial literacy can help individuals reach their goals.**
   By better understanding how to budget and save money, individuals can create plans that define hopes, hold them accountable to their finances, and set a course for achieving important financial goals. Though someone may not be able to afford a dream today, they can create a plan that can help make it happen.

6. **Financial literacy gives rise to confidence.**
   Financial literacy can also increase an individual's confidence in making financial decisions. By gaining a deeper understanding of personal finance, individuals can feel more confident in their ability to make informed decisions about their money. This confidence is also increased by using various platforms that can help them achieve their financial goals and reduce financial stress.

7. **Career Development Opportunities**
   Financial literacy can also provide individuals with career development opportunities. Many careers, such as finance, accounting, and investment, require a strong understanding of personal finance. By becoming financially literate, students can improve their chances of success in these fields and take control of their financial futures.

Activity 10.2

1. Imagine your uncle has given you 5000 cedis as seed money for your tertiary education.
   i. Where will you invest this money?
      a. Susu groups
      b. Banks
      c. Savings and loans
      d. Online
2. Why did you select any of the options?
3. What will you do before choosing a particular investment?
4. What benefits will you get from the investment?

Importance of Financial Literacy in the Community

Financial literacy offers numerous benefits to communities as well as supporting individual and collective well-being. Here are some key advantages.

1. **Economic Stability and Growth**
   A community where people understand money is more stable. When everyone handles their finances well, there's less chance of big money problems that could hurt the entire community. Again, people might start businesses or invest, which helps the community grow and creates new jobs.

2. **Fighting Poverty**
   Financial literacy helps people manage their money even if they do not have a lot of it. Learning how to budget, save, and invest helps them build financial security. Over time, this can help lift people out of poverty, making the whole community stronger.

3. **Better Quality of Life**
   When people can control their money, they feel less stressed about it. They can achieve their dreams, like buying a house or going to school, and take care of their families better. A community full of people with these financial skills is happier and healthier overall.

4. **Promoting Saving and Investing**
   A community that values saving and investing grows stronger. When people save and invest wisely, they build money that can help support community projects, improve infrastructure, and improve the community overall.

5. **Creating Fair Opportunities**:
   Financial literacy helps make things fairer for everyone, no matter how much money they have. When everyone knows how to manage money, it helps close the gap between rich and poor, giving everyone a chance to succeed in the community.

6. **Empowerment and Informed Decision-Making**
   Financial literacy trains community members with the knowledge to make informed decisions about their finances. This includes understanding how to create and manage budgets, save for future goals, invest wisely, and manage debt. Empowered individuals are better prepared to handle financial challenges, reducing reliance on external assistance and fostering a sense of independence among members of that community.

7. **Reduction in Financial Scams and Fraud**
   A community experienced in financial literacy is better prepared to identify and avoid financial tricks and fake systems. Education on financial matters permits individuals to carefully assess financial chances and threats, thereby protecting themselves and the community from economic harm.

8. **Support for Local Businesses**
   Financially educated community members are more likely to support local businesses through up-to-date buying decisions and investments. They understand the importance of local economic health and are motivated to contribute positively by patronizing and investing in businesses that sustain the community's economy.

9. **Promotion of Savings and Investment**
   A community that values financial literacy encourages its members to save and invest wisely. This collective behaviour can lead to the gathering of capital, which can be reinvested into community projects, infrastructure, and services, further enhancing the community's development and resilience.

10. **Education for Future Generations**
    Financial literacy often starts with education. Communities that rank financial education for children and young adults lay the groundwork for future generations to continue practising sound financial management. This intergenerational transfer of knowledge ensures long-term financial health and stability within the community.

Activity 10.3

1. In pairs, discuss the following scenario and note down what you would do.

   In Kumasi, a group of farmers has formed a savings group (known as *susu*) to pool their money for emergencies and investments in their farms. However, some members do not fully understand how to manage the money they save, leading to disagreements.

   Imagine you are a financial advisor. What advice would you give to the group about how to grow and protect their savings?

   Think of the suggestions below to answer the question.
   - Set clear rules.
   - Vary their investments

- Keep records of all transactions
- Learn about safe savings options.

2. Work together in small groups to create a presentation about the importance of financial literacy to present to younger learners in your community. Use the table below to plan your presentation.

Aspect of Financial Literacy	Content to Include	Importance to Young Ghanaians

AVENUES/STRATEGIES FOR ENSURING FINANCIAL SECURITY

Avenues/ Strategies for Financial Security

Now that you have a greater understanding of financial literacy, the question is how can we grow and protect our investments or savings? How can we feel safe and secure when we grow old or retire from work? How can we protect our funds from fraudsters and thieves? Answers to these questions will lead us to a new concept called financial security.

Activity 10.4

1. In pairs or in small groups discuss what you think financial security means. Write your explanation and then compare it with the one below.

Financial security means having enough money to meet your needs and feel safe about the future. In Ghana, just like anywhere else, there are different ways to make sure that people, families, and communities are financially secure. These can be looked at on three levels: the individual, the community, and the nation. We will first look at what individuals should do to have financial security.

Individual Strategies for Financial Security

1. **Developing a culture of saving**
   One way to ensure financial security as an individual is to develop a culture of saving. When we talk about a "savings culture," we mean making saving money a regular habit, just like brushing your teeth every day. By learning to save, you can say you are sure and ready for surprises and also to achieve your goals. The earlier you start saving, the more time your money will have to grow. When you develop a savings culture, you learn how to manage your money wisely, which helps you to feel secure and prepared for the future.

2. **Create a Budget and Stick to It**
   A budget is your financial roadmap. To start, list all your sources of income like allowance, job earnings, or gifts. Then, you write down your monthly expenses such as food, entertainment, and savings. Make sure your spending does not exceed your income. It's important to differentiate between *needs* like food and rent and *wants* like video games or eating out. Sticking to a budget helps you avoid overspending and creates a habit of managing money responsibly.

3. **Build an Emergency Fund**
   Life can be unstable, and having money set aside for emergencies is key. Start gradually and work towards saving part of your basic living expenses as an emergency fund. Keep this money in a separate account that can be easily accessible in times of emergencies. This can help you cover unexpected costs like medical bills, car repairs, or losing a job, without having to take on debt.

4. **Invest Early for Long-Term Growth**
   Investing is a key to growing your wealth over the long term. By investing in things like stocks, bonds, or mutual funds, your money has the potential to grow faster than it would in a traditional savings account. The earlier you start, the more time your investments have to grow through "*compound interest*" where you earn interest on both your original savings and the interest you have already earned.

Activity 10.5

1. Research the meaning of compound interest and give an example below. How can this help people reach their savings goals faster?

5. **Avoid and Manage Debt Wisely**
   Not all debt is bad. Borrowing money for things like education or buying a home can be a smart investment in your future. However, avoid high-interest debt like payday loans, which can grow quickly and be hard to pay off. If you do use credit, make sure you pay off the balance in full each month to avoid interest charges.

6. **Plan for Retirement Early**
While retirement might seem far away, starting early gives you a massive advantage. Thanks to compound interest, money saved in your youthful days has decades to grow. Even small contributions can turn into a large nest egg. If your country offers tax-advantaged retirement accounts consider opening one.

7. **Insurance is Essential**
Insurance can help protect you from large financial losses. For example, health insurance helps cover medical costs, car insurance protects against damage or accidents, and renters' or homeowners' insurance safeguards your belongings. While insurance costs money upfront, it can save you much more in the long run if something unexpected happens.

8. **Get More Income Sources**
Relying on a single source of income can be risky. If you can, try to vary by earning money from different sources. This could include a part-time job, self-employed work, or even a small business. Having multiple sources of income provides security in case one source dries up.

9. **Continuously Educate Yourself About Personal Finance**
Financial literacy is a lifelong skill. The more you learn about money, the better you will be at managing it. Read books, listen to radio, or take online courses on personal finance topics like budgeting, investing, and debt management. Understanding money concepts will help you make informed decisions as you grow older. Get assistance from a professional when necessary. With increased knowledge your financial security is assured.

Activity 10.6

1. Match the meanings of the concepts in column A with column B

A	B
1. Savings Culture	1. A plan for how you will spend and save your money each month to avoid overspending.
2. Budget	2. Money saved for unexpected events like medical emergencies or car repairs.
3. Emergency Fund	3. A type of debt, often from payday loans, that accumulates quickly and is difficult to pay off.
4. Compound Interest	4. Earning interest on both your initial savings and the interest that has been earned over time.
5. High-Interest Debt	5. Putting money into stocks, bonds, etc. early to allow it to grow over time.
6. Investments	6. A habit of regularly setting aside money for future needs or emergencies.

2. Organise yourselves into small groups. For each person in the group, choose a different stage of life and consider how a person at that stage of life may acquire financial security and why it is important to them.

   Use the table below to guide your thoughts.

Stage of Life	Goals/ Priorities of this stage of life	How they can achieve financial security	Why it matters at this stage of life
Teenager who is still in education			
Young adult studying in tertiary education			
Adult who has started their first job after education			
Adult couple who have just got married/ moved in together			
Adult couple who are expecting their first child			
Adult couple whose children have now got their own jobs/ families			

3. Share your ideas with the rest of the group to help you fill in the entire table.
4. Discuss the following questions with your group:
   a. At what stage is it easiest to start planning for financial security?
   b. At what stage would it be most difficult to achieve financial security?
   c. Why is it important to start thinking about your long financial security at a young age?

Community Strategies for Financial Security

Financial security in a community means that everyone has the resources they need to live a stable and comfortable life. Achieving this requires different steps that individuals, families, and even leaders in the community can take together. Here are some key ideas:

1. **Education in Money Management**
   Teaching people how to manage money wisely is the first step. This includes lessons on saving, budgeting, and making smart spending decisions. Schools, community centres, and online resources can help provide this education.

2. **Access to Good Jobs**
Employment opportunities that provide a fair wage are crucial. Communities should support job creation, offer training programs, and help people develop skills that are in demand.
3. **Saving and Investment Opportunities**
Encouraging people to save a part of their income regularly helps build financial security over time. Access to reliable banks and credit unions can make this easier. Communities can also promote programs that teach people about investing, so their money can grow.
4. **Affordable Housing**
Housing is one of the biggest expenses for families. Ensuring there are affordable housing options helps families save and reduces financial stress. Community leaders can support programs that build or provide access to low-cost housing.
5. **Support for Small Businesses**
Helping local businesses grow creates more job opportunities. Communities can offer support by encouraging entrepreneurship, providing low-interest loans, and organizing business training workshops.
6. **Access to Healthcare**
Medical bills can cause financial strain. Making sure people have access to affordable healthcare services prevents unexpected medical expenses from pushing families into debt.
7. **Community Support Networks**
A strong sense of community can help people in times of need. Programs that offer food, clothing, or emergency financial assistance can act as a safety net when individuals face hardships.

Activity 10.7

1. A local community in Ghana is offering free workshops on budgeting and saving. Mary attends the workshops and learns how to track her expenses and create a budget. After a few months, she has saved enough money to start a small business selling local crafts.

   Why is it important for communities to offer financial education?
2. Thinking back to the financial planning table activity that we completed earlier, what are the barriers to people at different life stages in achieving financial security and how can their community help them?

Stage of Life	Barriers	Ways in which the community can help
Teenager who is still in education		
Young adult studying in tertiary education		
Adult who has started their first job after education		
Adult couple who have just got married/ moved in together		
Adult couple who are expecting their first child		
Adult couple whose children have now got their own jobs/ families		

National Strategies for Financial Security

Financial security for a country refers to the absence of threats to the financial system, ensuring its stability, development, and the ability to maintain financial control.

Ensuring financial security in a country involves a blend of policies and strategies aimed at stabilizing the economy, protecting financial systems, and promoting sustainable growth.

Here are some key strategies:

1. **Economic Diversification**
   One best strategy to ensure financial security in a country is the spread of economic activities. Thus, reducing dependence on a single industry or sector can help lessen risks associated with economic downturns in that sector. Diversifying the economy ensures more stable and strong growth.

Fig. 10.7: A picture of Economic Diversification

2. **Strong Controlling Framework**
   Another strategy to ensure financial security in a country is the implementation of strong financial guidelines. This helps to maintain the honesty of financial institutions and markets.

3. **Careful Monetary Policies**
   Maintaining stable budgets, reducing public debt, and ensuring efficient public spending is crucial for financial stability. This is what we are referring to when we say monetary policies. Careful monetary management helps build investor confidence and reduces the risk of financial crises which attracts investors into a country.

4. **Financial Policy Management**

   Every country has an institution to manage its financial policy. This is usually done by the central banks. Central banks play a key role in controlling inflation and stabilizing the currency. Effective monetary policy can help manage economic cycles and maintain financial stability. In Ghana, it is the Bank of Ghana that does this management.

5. **Financial Inclusion**
   Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs. It involves transactions, payments, savings, credit and insurance. This ensures that all parts of the population have access to financial services which can promote economic

growth and reduce poverty. Financial inclusion helps build a stronger economy by expanding the base of economic activity.

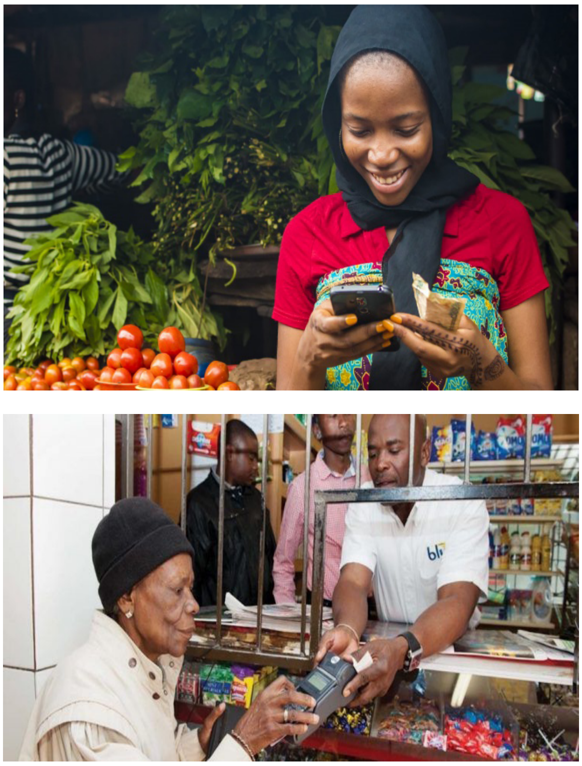

Fig. 10.8: Financial inclusion

6. **Cybersecurity Measures**
   Digital financial services like online sales have become the order of the day. With the increasing reliance on digital financial services like mobile money, protecting against cyber threats is vital. Strengthening cybersecurity can prevent disturbances and maintain trust in the financial system leading to financial security.

Fig. 10.9: Mobile money operatives doing business online.

7. **Investment in Human Capital**
   Education and training programs can improve the skills of the labour or workforce of a country. This will finally lead to higher productivity and economic growth. Therefore, investing in human capital is important for the long-term financial security of a country.

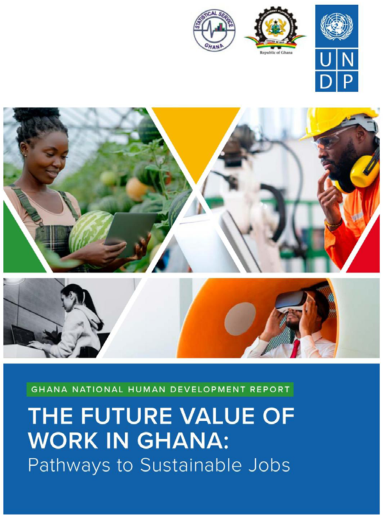

Fig. 10.10: Components of human capital

8. **Innovation and Technology Integration**
   Accepting new technologies and fostering innovation can drive economic growth and improve efficiency in various sectors. This includes supporting small businesses and investing in research and development.

9. **Strong Corporate Governance**
   Corporate governance is a set of rules and guidelines that help a company run properly. It makes sure that the company is fair to everyone involved, like its owners, workers, and customers. By following these rules, a company can make good decisions, stay honest, and succeed in the long run. Hence strong corporate governance encourages ethical behaviour, which helps the company stay financially healthy.

Activity 10.8

1. In Ghana, mobile money services are very popular, but some people are worried about the risk of cyberattacks. To keep people's money safe, the government is investing in stronger cybersecurity measures for online banking.
   a. Why is it important for Ghana to strengthen cybersecurity for mobile money and online banking?
   b. How can this help maintain trust in the country's financial system?

Case Study: The importance of governance of the banking sector.

We have learned that it is important to have savings for our future financial security and a bank should be a safe place for your savings to grow. However, without proper governance at a national level, people's savings can be at risk. This was the case in 2017 with the Ghanaian Banking Crisis in which a lack of regulation led to several banks closing due to global economic issues.

The Ghana banking crisis of 2017 had profound and far-reaching effects on the Ghanaian populace. Here are the key impacts:

1. **Financial Losses for Depositors:**
    - Bank Closures: Several banks and financial institutions were shut down or placed under receivership due to insolvency and mismanagement.
    - Depositor Impact: Many depositors, especially those with savings in the affected banks, faced the risk of losing their funds. Although the government took steps to protect depositors, there were delays and uncertainties in accessing their funds, causing financial stress.
2. **Job Losses:**
    - Bank Employees: With the closure and consolidation of numerous banks, thousands of bank employees lost their jobs.
    - Related Sectors: The ripple effect led to job losses in related sectors such as banking services, security, maintenance, and contractors who provided services to the banks.
3. **Reduced Credit Access:**
    - Business Loans: Small and medium-sized enterprises (SMEs), which relied heavily on credit from the affected banks, faced difficulties in accessing loans.
    - Consumer Loans: Individuals seeking personal loans for various needs, such as education, health, and emergencies, found it harder to secure credit, affecting their financial planning and well-being.
4. **Economic Anxiety and Reduced Confidence:**
    - Public Trust: The crisis eroded public confidence in the banking sector. People became wary of placing their savings in banks and financial institutions.
    - Economic Anxiety: The uncertainty and instability in the banking sector led to broader economic anxiety, affecting consumer spending and investment decisions.

5. **Government Financial Burden:**
   - Reforms and Bailouts: The government had to allocate significant financial resources to stabilize the banking sector, including bailouts and compensations for depositors.
   - Impact on Public Services: These expenditures strained the government's budget, potentially affecting funding for other public services and development projects.
6. **Legal and Regulatory Reforms:**
   - Stricter Regulations: In response to the crisis, the government and regulatory bodies introduced stricter banking regulations and oversight measures to prevent future occurrences.
   - Compliance Costs: While necessary for stability, these new regulations increased the compliance burden on banks, which could indirectly affect banking services and costs for consumers.

In summary, the 2017 Ghana banking crisis had sweeping impacts on the Ghanaian people, affecting their financial health, employment, access to credit, and overall confidence in the financial system. The government's response to reform and stabilise the sector was crucial in mitigating some of these adverse effects.

a. How did the lack of regulatory oversight impact Ghanaian people?

b. Why is it important for our financial security for the government to regulate financial institutions?

Consequences of Poor Financial Planning

It is clear that individuals without any financial literacy are more likely to have poor financial planning. This can cause big problems for such individuals' financial security. Let us take time and discuss some of the sufferings they go through:

1. **No Emergency Funds**

   Without good financial planning, people are unable to save enough for emergencies. This means they are not ready for unexpected costs like medical bills, home repairs, or losing a job. As a result, they may have to take out high-interest loans, making their money problems worse.

Fig. 10.11: A picture of a person showing an empty wallet.

2. **More Debt**

   Bad financial planning can cause people to spend more than they earn, leading to a heavy reliance on credit cards or loans. This can create a debt spiral, where they keep getting into more debt, even if they're paying their bills. This leaves them with little money for savings or other needs.

3. **Poor Retirement Savings**
   Without a plan for the future, saving for retirement is often ignored. This can mean not having enough money when it is time to retire. This forces people to work longer and some people even make fake birth certificates to stay in their jobs for longer than they should do for their wellbeing.

4. **Missed Investment Opportunities**
   Good financial planning involves investing wisely to grow your money over time. Without a solid plan, people may miss out on these opportunities or make bad investments that do not pay off, which limits their ability to build wealth.

5. **Lower Credit Scores**
   A credit score is a number that shows how good someone is at managing money, especially when borrowing. Lenders, like banks, use this number to decide if they can trust you to pay back a loan. A high credit score means you're good at paying bills on time, while a low credit score means you might have trouble managing debt. The better your score, the easier it is to borrow money at lower interest rates but the lower your score, the difficulty in accessing loans with higher interest.

Fig. 10.12: Credit score rating

Activity 10.9

1. In pairs, discuss the following scenario: .

   Mark spends his salary on clothes and food by eating out. He often spends more than what he earns and borrows from friends before the month ends. Over time, his debt grows larger, and now, he owes a lot of money.

   i. How did Mark's poor financial planning lead to more debt?

   ii. What could he do to improve his situation?

2. Read the following case study and scenario. How has Mary demonstrated poor financial planning?

   Mary has worked in a professional job and has earned a good salary for a long time. She has bought a house and provided well for her children's education and healthcare. As a result, her family have been able to enjoy luxury purchases such as a nice car, mobile phones, personal devices and fashionable clothing. They have also been able to take several vacations.

   However, Mary is close to the age of retirement and realises that her outgoings will not match the amount that she would be eligible for on her Old Age Pension. She has some savings set aside but these have not been in low interest savings accounts rather than retirement accounts. She will now have to work longer and her quality of life will not be the same after retirement.

   i. Why did Mary think that she had financial security?

   ii. Where could she have made better choices to protect her long-term financial future? Consider the strategies she could have used and at what life stage she could have implemented them.

WAYS OF ENSURING SUSTAINABLE USE OF PUBLIC FINANCES AT THE INDIVIDUAL, COMMUNITY AND NATIONAL LEVELS IN GHANA

Meaning of Public Finance

Do you know what is meant by public finance? Discuss with your classmates and see if you can come up with a definition and then check it against the definition below.

Activity 10.10

Discuss with your classmates and see if you can come up with a definition of public finance and then check it with the definition below.

Public finance is how governments manage their money. Just like you might get an allowance and decide how to spend or save it, governments also have to make decisions about how to use the money they collect from taxes, exports and donors.

It is all about how governments handle money to keep everything running smoothly and to make sure that there is enough money for both current needs and the future as well.

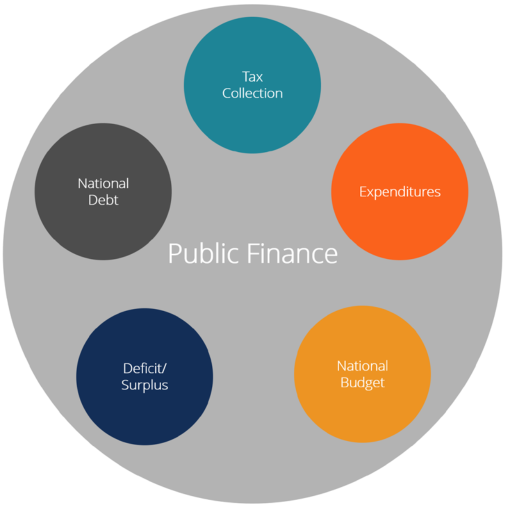

Fig. 10.14: A picture showing public Finance.

Sustainable Use of Public Finances

Sustainable use of public finances means managing money in a way that helps a community, country, or government to meet its needs today without making it hard for future generations to do the same. Governments must spend money on important things like schools, hospitals, roads, and public services. But, just like families, they also need to plan for the future.

However, ensuring the sustainable use of public finances is a shared responsibility that involves many different individuals and groups in society. Individuals have a role; communities have a role as well as the state or country.

Ways of Ensuring Sustainable Use of Public Finances at the Individual Level in Ghana

Individuals can contribute to making sure public money is used wisely. Here are some ways that we can help ensure the sustainable use of public finances:

1. **Paying Taxes Honestly**
   Paying the correct amount of taxes on time ensures that the government has the resources to fund public services like healthcare, education, and infrastructure. Honest tax payments reduce the need for borrowing or increasing taxes which promotes financial stability in the country.

Fig. 10.15a: A group of people promoting honest tax payments.

Figure 15b A picture showing how taxes grow into income

2. **Using Public Resources Responsibly**
   When people use public resources such as schools, parks, libraries, and healthcare responsibly, they help reduce wear and tear, lowering maintenance costs. Responsible usage extends the life of public facilities and reduces the strain on public budgets.

3. **Supporting Anti-Corruption Measures**
   By promoting and supporting transparent governance, individuals like you can help reduce waste and misuse of public funds. This is because, less corruption means that, more funds are available for essential services like education, public safety, and social programs

Fig. 10.16: Anti-corruption demonstrators

4. **Participating in Community Projects**
   Volunteering or taking part in local initiatives like communal labour reduces the need for public spending on community services. Individuals can help build stronger communities with fewer resources by contributing time and effort and reducing the cost of projects for the state to save money for another project.

Fig. 10.17: Individuals taking part in a cleaning exercise

5. **Taking Care of the Environment**
   Individuals can ensure sustainable use of public finance by taking good care of their physical environment. By conserving energy, recycling, and reducing waste, individuals reduce the demand for public services related to waste management and energy supply. This environmentally responsible behaviour helps the government save money on public utilities and infrastructure maintenance.

Fig. 10.18: Individuals protecting the environment

6. **Participating in the Democratic Process**
   Finally, voting for leaders and policies that rank financial responsibility ensures public funds are managed well. Effective leaders can implement better public finance management, leading to sustainable public services. So, any time you vote for a responsible government know that you are helping your country to manage public funds well.

Activity 10.11

Look at how these items can be *reused or recycled* to promote sustainable use of public finance.

Bottle tops

Old newspapers

Plastic bottles

Egg cartons

Cardboard boxes

Glass bottles

Sachet rubbers

Ways of Ensuring Sustainable Use of Public Finances at the Community Level in Ghana.

1. **Promoting Accountability and Transparency**
   Have you ever wondered who decides how your town or city spends money? Well, the people in your community, including you and your family, can have a say in those decisions. Communities can hold local and national governments accountable by actively participating in decision-making processes, attending town meetings, and demanding transparency in public spending. This reduces the

risk of corruption and wasteful spending which ensures that funds are allocated to vital services.

Fig. 10.19: A gathering of community members in a meeting to make a decision.

2. **Supporting Community-Based Projects**
   Communities can support the country on local projects like building schools, parks, or community centres through fundraising or volunteering. By taking on some of the costs and responsibilities, communities help reduce the strain on public budgets while improving local infrastructure.

Fig. 10.20: Community members working to support community projects.

3. **Encouraging Civic Responsibility**
   Communities can encourage members to pay taxes, vote, and use public services responsibly. When citizens follow their civic duties, it ensures a stable flow of resources to the government, which helps maintain and improve public services.

4. **Engaging in Participatory Budgeting**
   In some areas, communities can participate in the budgeting process, helping decide how public funds are allocated for local projects. This approach ensures that public money is spent on projects that the community values. This in the end reduces unnecessary costs and also increases the effect of public spending.

5. **Volunteering and Contributing to Social Services**
Communities can volunteer or donate to social programs that serve the public, such as food banks, educational programs, or public health initiatives. Volunteering reduces the burden on public funds while enhancing social services, ensuring that limited public resources can be directed to areas of higher need.

Fig. 10.21: Foreign volunteers teaching and assisting in education and health sectors in Ghana.

6. **Fostering Environmental Responsibility**
Communities can promote environmentally sustainable practices, such as recycling programs or energy conservation, which help reduce public spending on waste management and energy infrastructure. When communities reduce waste and conserve energy it lowers the financial burden on governments, freeing up funds for other services.

7. **Building Strong Local Economies**
Communities that support local businesses and create a culture of entrepreneurship contribute to a stronger local economy, leading to higher tax revenues and more financial stability for local governments. A strong local economy can increase public revenues, which can be invested in public services and infrastructure.

Fig. 10.22: Local community-led building projects

Activity 10.12

1. The government has decided to help your school with a classroom block and needs the support of your community members. As an Assemblyman in that area list the kind of support that you can offer.

Ways of Ensuring Sustainable Use of Public Finances at the National Level

The state plays a central role in ensuring sustainable public finance. They do this by managing resources effectively, planning for the long term, and implementing policies that promote fiscal responsibility. Here is how the state contributes to sustainable public finance:

1. **Efficient Budgeting and Spending**
   The state is responsible for creating and obeying budgets that reflect the needs of the nation, ensuring that public funds are spent on essential services like healthcare, education, and infrastructure. Proper budgeting prevents overspending, reduces debt, and ensures that resources are allocated to where they are most needed.

2. **Institution of Financial Regulations**
   Financial regulations are like rules that help make sure money is used in the best way possible. Just like how rules in games help everyone play fairly, financial regulations help make sure public funds (money collected from taxes) are used properly. Imagine if your school had a big box of books, but no one knew how many books were in the box or how they were being used. Some books might go missing or get damaged, and no one would know that this was the case as no one was keeping track. Financial regulations help keep track of money, so it's used for the things that matter most, like fixing playgrounds or building new libraries.

3. **Taxation Policy**
   The state sets and enforces tax policies that create revenue fairly and efficiently. This includes progressive taxes where those who earn more pay more and closing gaps to prevent tax evasion. A well-designed tax system ensures a solid flow of income that can fund public services without overtaxing citizens or businesses. This in the end promotes economic stability.

4. **Controlling Public Debt**
   The state takes care of its national debt by borrowing wisely and making sure it can pay back what it owes without hurting the economy. They make long-term plans to lower the debt if needed. By keeping national debt under control, they make sure future generations would not have to deal with huge debts, and they can still borrow money when needed.

Activity 10.13

Do you know what Ghana's national debt is? Find it and share it with your class.

5. **Investing in Long-Term Infrastructure**
   The state invests in infrastructure projects like roads, bridges, schools, and hospitals that benefit the economy and public welfare over the long term. Investing in lasting infrastructure reduces the need for everyday repairs and replacements. This helps to save money in the long run, ensuring that public resources are used wisely.

6. **Ensuring Transparency and Accountability**
   The state ensures that there are systems in place to check and report public spending. Audits, transparency laws, and public accountability instruments help prevent misuse of funds. Transparency builds public trust and ensures that funds are spent as planned, reducing the risks of corruption and waste.

Fig. 10.23: The Public Accounts Committee of Parliament holds some state institutions accountable

7. **Providing Social Safety Nets**
   The state provides social welfare programs like unemployment benefits, healthcare, and pensions, ensuring that the weakest in society are protected. Well-managed social programs prevent poverty and economic instability, which can strain public resources. Investing in people's well-being can reduce long-term public spending on healthcare and social services.

8. **Fighting Corruption**
   The state must establish and enforce laws that prevent corruption, fraud, and embezzlement within public institutions. Anti-corruption agencies and legal frameworks ensure accountability. Corruption wastes public funds, damages trust, and weakens the effectiveness of government programs. By fighting corruption, the state ensures that public finance is used efficiently and for the intended purposes.

Case Study: The Office of the Special Prosecutor (OSP)

In Ghana, there is a special office called the Office of the Special Prosecutor. This office helps fight against poor or unacceptable behaviour in the government, especially when public officials do things they should not, like taking bribes or stealing money.

The main job of the Office of the Special Prosecutor is to look into cases of corruption. Corruption means when someone in power acts unfairly or unlawfully. The Office investigates these claims to find out what happened and, if necessary, takes the people who did wrong to court. This helps to make sure that everyone, even those in power, follows the rules.

The Office of the Special Prosecutor is independent. This means it works on its own and is not influenced by the government or any political party. This independence helps ensure that investigations are fair and unbiased.

The Office was set up by the government because they wanted a strong way to deal with corruption. The President of Ghana chooses the Special Prosecutor, but the Parliament, which is a representation of the people must approve this choice. This way, there is a balance of power and the choice is unbiased.

The Special Prosecutor can investigate any claims of corruption. They can gather evidence, question people, and even take those who are guilty to court. The Office has a team of experts who help with these responsibilities. They work hard to make sure that any corruption is properly addressed.

The Office of the Special Prosecutor helps keep the government honest. By investigating and prosecuting corruption, it makes sure that people in power are held responsible for their actions. This helps build trust among the people because they know that those who break the rules will be held accountable.

In short, the Office of the Special Prosecutor in Ghana plays a very important role in fighting corruption and making sure that everyone in the government behaves fairly and follows the rules.

Activity 10.14

1. Do you think this office is necessary? Explain your answer.

9. **Institutional Reforms**
   Several constitutional institutions see to it that state funds are used wisely. These groups include the Ministry of Finance, the Auditor-General's Department, and the Parliamentary Committee on Finance. So, to achieve sustainable public

finance these institutions have to be reformed by making changes to improve how they work. Apart from giving them training, they should be provided with the needed tools and resources to do a better job.

10. **Public-Private Partnerships (PPPs)**
Imagine you're building a playground for your school. The school has some of the tools, like shovels and sand, but you need more help to finish it. So, you ask a local company to donate swings and slides. This is a bit like what a *public-private partnership* is! In public-private partnerships, the government (the "public" part) works together with businesses or companies (the "private" part) to make projects better. The government might need help managing money or building things, and businesses can offer their skills, money, and resources to help.

11. **Promoting Sustainable Development**
The state can adopt policies that encourage environmentally friendly practices, such as investing in renewable energy, applying environmental regulations, and promoting sustainability in urban planning. Sustainable development reduces future costs related to environmental damage, energy consumption, and health issues, ensuring long-term savings for public finance.

If all of us are playing these expected roles Ghana's public funds could be managed well to cater for the needs of the present and the future.

Activity 10.15

1. In groups, imagine you are government officials in charge of managing the national budget. What strategies or actions would you take to ensure sustainable use of public finances? Explain your answers below
2. Challenge: Can you find an example of when the government has managed the national budget well? What has been the positive impact for Ghanaians?
3. Extra challenge: Can you find an example from the past in which the national budget has been mismanaged? What was the impact for Ghanaians? What can we learn from this?

Financial Decisions

Financial decisions are the choices people make about how to budget, borrow; manage, spend, and save their money. These decisions can be small, like deciding to buy food or big, like deciding to buy a house. Making good financial decisions helps people, families, and even countries handle their money wisely whilst bad financial decisions can have negative effects on the families and the country as a whole. Let us first look at the implications of bad financial decisions.

Implications of Bad and Prudent Financial Decisions

Every day, we make choices about how to use money, whether it is spending our allowance or saving up for something special. These choices are called *financial decisions*. A bad financial decision is when someone makes a poor choice with his or her money, which can lead to problems in the future. This could mean spending too much, not saving, or borrowing money without thinking about how to pay it back.

Bad Implications of Financial Decisions

Bad financial decisions have consequences that affect a person's life. Here are some of the key implications:

1. **Debt**
   If you make poor financial decisions, like borrowing too much money, you might end up in debt. Bad financial decisions, like spending more money than you have or borrowing without having a plan to pay money back, can lead to debt. Debt is money you owe and have to pay back, often with extra fees called interest.

2. **Stress and Anxiety**
   Money problems can cause a lot of stress. When people realize they cannot pay their bills or owe too much, they may feel worried or anxious. Imagine how you might feel if you have a big pile of homework to complete in a short time? This may be a similar feeling of stress that you might go through when you do not have money. This stress can affect their mental and physical health, making life more difficult.

3. **Difficulty Achieving Goals**
   Poor financial choices, such as not saving or spending too much, can stop you from reaching important goals. If you spend all your money now and you fail to save, you might not have enough for big goals, like going to college, starting a business, or buying or building a home.

4. **Limited Future Choices:**
   If you are in debt or don't have savings, it becomes difficult to make big life choices. For example, you might not be able to move to a new home or start a business because you do not have the money. You may also struggle to borrow money in the future if you have a bad credit history from unpaid debts.

5. **Damage to Relationships:**
   Money problems can lead to conflicts with family and friends. For example, if you borrow money from someone and refuse to back, it may cause tension or hurt feelings. Financial stress can also lead to arguments with loved ones.

6. **Dependence on Others:**
   If you run out of money or get into too much debt, you may have to rely on others to help you. This could mean asking family or friends for financial support or depending on loans to get by. This can make you feel less independent.

7. **Lack of Emergency Funds:**
If you don't save money, you won't be prepared for unexpected events, like medical emergencies or car repairs. Not having savings can make a small problem much bigger because you'll have to borrow money or struggle to cover the costs.

8. **Retirement Challenges**
If you spend too much or invest poorly, you may not have enough money saved when it is time to retire. This could force you to work longer than planned or retire with less money. Bad financial decisions, like taking on too much debt, can eat into your retirement savings so, instead of enjoying your retirement, you might have to spend your money paying off loans.

Activity 10.16

1. In pairs, discuss the following scenario:
A small business owner wanted to grow his business, so he borrowed a lot of money from the bank. He planned to use the money to make the business bigger, but he didn't think about things that could go wrong, like changes in the market, how much he would have to pay in interest or unexpected costs. Because of this, the business couldn't pay back the loan, and he had to close it down.
   a. What mistakes did the owner make
   b. What could he have done better:

Implications of Good Financial Decisions

Good financial decisions have many positive effects that can make life easier and more enjoyable. Here are some key benefits:

1. **Financial Security**
When you make good financial choices, you are more likely to have enough money for emergencies, like unexpected medical bills or car repairs. This helps you avoid fear and stress during tough times.

Fig. 10.24: Couple enjoying their retirement as a result of proper financial planning.

2. **Reduced Debt**
   By saving and budgeting, you can avoid borrowing too much money. This means you will owe less or no money to others, and you would not have to pay extra fees (interest) on loans or use your property like a house or farm as a guarantee for loans with high interest rates.

3. **Peace of Mind**
   Knowing that you have money saved and a plan for your finances gives you peace of mind. Peace of mind means feeling calm and relaxed because you know your money is well-managed and you have a plan for the future. You would not have to worry about running out of money or being unable to pay for important things. It is like having a blanket that makes you feel warm and safe.

4. **Opportunity for Growth**
   Imagine you plant a small seed in the garden. If you take care of it, water it, and give it sunlight, it will grow into a big, strong plant over time. Just like a plant that grows bigger and stronger, wise investments help your money grow and become more valuable over time. Making smart financial choices today can lead to more money and opportunities in the future.

Activity 10.17

1. Think about the following scenario: You borrowed 10 cedis from a friend to buy lunch last week, and now you owe them money. Today, you get an allowance of 15cedis. You want to buy a new book for 12 cedis, but you also need to pay your friend back.
   - What should you do first?

- Explain why

2. In groups, create role play scenarios in which a person makes bad/ imprudent financial decisions and choices. Ensure that your role play explores the consequences for the individual as well as those around them and perhaps their communities.

Planning notes

3. Now, do the same activity but have the main character make sound and prudent financial decisions. How has their scenario changed for the better? How have their decisions affected the people around them for the better?

notes

Review Questions

1. How can individuals avoid waste to help the community ensure sustainable use of funds?
2. What is the definition of financial security?
3. What is the definition of financial literacy?
4. Why is it important for people to have good financial literacy?
5. How can you encourage others to use public resources more carefully?
6. How can Ghana use its public finances sustainably at the national level?
7. Why do you think it is important to use public money wisely at all levels?
8. How does sustainable use of public money help future generation

Extended Reading

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Glossary

Sustainable: Capable of being maintained over the long term without harmful effects on the environment, economy, or society.

Transparency: The quality of being open and honest; providing clear information about operations, decisions, and actions.

Credit score: A numerical expression representing an individual's creditworthiness, based on an analysis of their credit history.

Cyber security: The practice of protecting computers, networks, and data from digital attacks, theft, or damage.

Resilience: The ability to recover quickly from difficulties.

Insurance: A contract in which an individual or entity receives financial protection or reimbursement against losses from an insurer.

Fostering: Encouraging or promoting the development of something.

Accountability: The obligation to explain, justify, and take responsibility for one's actions.

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