

# The Web and the Challenge of Financial Literacy

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## Keynote Address Abstract

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The rise of Internet has had a dramatic effect on the financial sector. It has accelerated the pace of financial transactions and offered instant access to financial information, including personal bank accounts, that was not available before. At the same time, the Internet has made it easier for false rumors which affect financial markets to spread rapidly, and it has perhaps made it more difficult for individuals to distinguish reliable from unreliable financial advice. Financial institutions are already making extensive use of data mining and tracking both to target individuals and to predict market movements. From a societal point of view, it is important that there is understanding and oversight of these developments. In the current economic climate, where individuals are expected to take responsibility for more financial decisions on their own, without the support of the state, it is vital that they have access to financial information, and just as importantly, financial literacy. There is widespread evidence of a lack of basic financial literacy across all developed countries, and also evidence that people who feel in control of their finances, whatever their income level, are happier. There are a number of areas where the Internet can play a vital role in addressing needs this area, including:

- Tools to improve financial literacy, including games, education tools, and assessment tools.
- Interactive automated counseling systems to help individuals examine their options in regard to debt investment and life course choices of a financial nature.
- Improvements in the way the media handles, displays and explains financial data and a stronger emphasis on financial literacy and less use of jargon.
- Experiments in peer-to-peer counseling and recommendation system.
- Better understanding of the working of commercial advice and recommendation systems such as declaring commissions.

The Internet has a huge potential to improve people's lives and strengthen their understanding and ability to function well in the financial system. However, to do this we need to begin to reverse the information asymmetry between financial institutions and individuals in the area of personal finance. This is also an issue in wholesale markets, where automated trading and dark pools are making market pricing less transparent. The authorities have been slow to respond to many of these developments led by private companies. There is also fierce competition to see what data can predict market movements. Ultimately, it is up to governments to ensure that the Internet is used in the financial sector to enhance the power of the public, not diminish. But as researchers we can contribute to that debate by delineating the potential of the web to create a fairer society and better functioning, more transparent markets.

13:50-14:40