Chapter 1

Financial Literacy for Families:
Perspectives in Portugal and Brazil as a Driver to Promote the Smart Economy in the Post-COVID Era

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ABSTRACT

Balanced development requires the involvement of all stakeholders. In this context, the smart economy will also create innovative mechanisms, especially digital mechanisms that allow optimizing solutions. The chapter aims to analyze the situation in Portugal and Brazil regarding initiatives to raise awareness of the problem by the fact that they are two countries in which families have a high level of indebtedness. The methodology adopted is the design science research because it is a methodology of wide use to allow several iterations during the construction and development of the artifact. The main results are pressing to present a systematization of financial literacy initiatives to list them and interconnect them with the legal framework at the European level in Portugal and Brazil.

INTRODUCTION

Presently families faced enticing proposals to obtain increments to their family level and are strongly motivated to use credit for the most varied purposes. On the supply side, liberalization, and gaps in the regulation in the financial system enhance the definition of strategies for betting on the credit segment to individuals, traditionally with low levels of indebtedness. On the other hand, the desire to change living standards, the fall in interest rates, the increase in disposable income and the containment of unemployment have also favored the increasing indebtedness of households.

In this sense, family indebtedness can be seen as the ability of families to be able to repay their loans. They have assertively allowing them to implement a particular family strategy. However, unforeseen factors or situations may occur such as unemployment, prolonged illness, divorce, and bad investments leading the family to the situation of over-indebtedness.

The financial literacy of families is particularly relevant because the rationalization of consumer´s financial decisions will allow the allocation of financial resources in a more appropriate and effective way. In addition, the level of financial literacy of families helps them to make more conscious financial decisions. In the European Union and OECD countries Financial Education must be assumed as a lifelong education, starting with school-age children and young people.

The motivation for the development of the chapter follows a research project that is being developed between Portugal and Brazil. Given the importance of the theme, it was considered pressing to proceed with scientific dissemination. The chapter aims to analyze the situation in Portugal and Brazil concerning initiatives to raise awareness of the problem of household indebtedness. For this purpose, good practices established in both countries are presented to emphasize the role of Information Systems and information and communication technologies. The dimension of the smart economy is also highlighted as an important factor for families, considering the impact of this context on human capital and the community.

This chapter is organized into six sections, where the problem is formulated, the methodology for carrying out the study is presented, the state of the art is characterized in the context of financial literacy for families in Portugal and Brazil. Solutions and recommendations, as well as future work, are also presented. Finally, the conclusion reflects the concerns in the domain of the subject in Portugal and in Brazil.

METHODOLOGY

The methodology adopted focuses on the literature review in the area under study. Based on the characteristics of the topic addressed, a methodology was selected that would allow conducting the analysis of the characterization of the population based on their specificities. The Design Science Research (DSR) methodology was chosen as the theoretical basis to support scientific validity (Peffers, Tuunanen, Rothenberger, & Chatterjee, 2007) for the preparation of this work.

As it is a research methodology indicated for research projects in information technologies and systems, system architectures (Ferreira et al, 2012) inherent to the activity of artifact design, it thus ensures discipline, rigor, and transparency. The DSR methodology (Roquete, 2018) is a research method that suits the area of information systems with connection to issues originating in organizations, contributing to the resolution of specific and complex problems (Bianchi & Dinis de Sousa, 2015; Hevner, March, Park, & Ram, 2004).

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