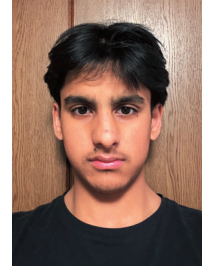


# Japan's Financial Literacy Reform & the Student-Led Parallel



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From inside a Tokyo high school classroom, the gap between policy and reality is easy to locate. Students can define compound interest, explain what a stock represents, and describe the function of a central bank. Most have studied these concepts since middle school. Almost none have opened a brokerage account, analyzed a company's financial statements, or made a reasoned judgment about how to allocate capital under uncertainty. Financial knowledge exists at the definitional level. The applied layer is almost entirely absent.

This is the environment into which Japan launched J-FLEC, the Japan Financial Literacy and Education Corporation, in August 2024. The launch, attended by then Prime Minister Fumio Kishida and backed by the Financial Services Agency, represented the most coordinated institutional commitment to financial literacy in Japanese history. The ambition behind it is genuine and the need is real. But institutional ambition and student-level reality are moving on different timelines. The distance between them is the subject of this article.

## Reform Built for the Right Reasons

Japan's decision to establish J-FLEC did not emerge in a vacuum. The country holds approximately 2,200 trillion yen in household financial assets, one of the largest accumulations of household wealth in the world. Despite that scale, 54% of those assets sit in basic savings accounts or cash rather than productive investment. Stocks, bonds, and mutual funds account for just 16% of the total. The government's diagnosis is direct: Japanese citizens lack the financial confidence to move savings into markets, and without that confidence, expanded access to investment vehicles like the renewed NISA scheme will not produce the structural shift from saving to investing that policymakers are targeting.

J-FLEC is the institutional expression of that diagnosis. Established in April 2024 and fully operational from August of the same year, it was designed to consolidate what had previously been a fragmented landscape: financial education delivered inconsistently across government ministries, the Bank of Japan, and various industry associations, with no coordinating body and no common standard. J-FLEC certifies financial advisors to a neutrality standard, dispatches them free of charge to schools and workplaces nationwide, and runs public seminars and individual consultation programs across the

country. By the standards of institutional reform, this is a serious and well-structured intervention.

The baseline it is working against is sobering. According to J-FLEC's own overview documents, only around 7% of Japanese people perceive that they have received any financial education, a figure confirmed by the Central Council for Financial Services Information's 2022 survey. A 2022 survey administered across Japan by the Global Financial Literacy Excellence Center found that only 36% of respondents could correctly answer the standard Big Three financial literacy questions covering compound interest, inflation, and risk diversification. On risk diversification alone, the concept most directly relevant to investment decision-making, only 51% of Japanese adults answered correctly, and 41% responded that they did not know.

## What the Reform Has Not Yet Reached

Japan introduced mandatory financial education content into its national curriculum in April 2022, requiring schools from elementary through high school level to cover topics including asset management, insurance, and basic investment principles. This was a meaningful step, and it positions Japan ahead of many peer economies in terms of formal curriculum requirements. But curriculum inclusion and genuine financial literacy are not the same thing.

The evidence on what curriculum reform has produced in practice is instructive. In a 2022 poll of 2,536 teachers of junior high school social studies and home economics conducted by the Study Group on the Promotion of Financial and Economic Education, the majority reported that instruction "focuses on explaining terms and systems, making it difficult to feel how concepts are connected with real life." Approximately half of the responding teachers also identified their own lack of specialized knowledge as a barrier to effective delivery. The curriculum framework is present. The pedagogical infrastructure to translate it into applied competence is not consistently there.

This is a structural problem, not a failure of individual teachers. Financial literacy at the applied level requires practice environments: case competitions, simulations, real analytical decisions made under uncertainty. These sit outside what a standard classroom period can reliably deliver, particularly when the teachers responsible for delivery identify their own expertise as a constraint. J-FLEC's school dispatch

program, which sends certified advisors into classrooms free of charge, addresses part of this gap. But the program's operational center of gravity, as reflected in its stated KPIs and outreach priorities, is adult citizens approaching consequential financial decisions: retirement planning, pension allocation, NISA enrollment. Secondary school students, particularly at the high school level, remain at the periphery of where the reform is currently concentrating its effort.

There is also a motivation gap that curriculum requirements cannot close on their own. Students engage with financial content when it feels directly relevant to their circumstances. For a 16-year-old in Tokyo, NISA is a product designed for working adults. A classroom module on asset allocation feels abstract when no assets are involved and no decision hangs on the outcome. The applied version of financial literacy, the version that produces genuine competence rather than exam performance, requires a different delivery model than the one currently predominating in Japanese schools.

### Parallel Built from the Student Level

In early 2024, I designed and launched a different kind of financial education environment – without institutional backing, without a formal budget, and without any curriculum requirement attached to participation. The International Finance Challenge (IFC) is a free, online finance competition built specifically for high school students. Its premise was straightforward: if students were genuinely motivated to engage with applied financial content, they would do so voluntarily without a grade incentive, provided the material was substantive and peer-relevant.

The first cycle drew 55 participants from 40 schools across 12 countries: the United States, Japan, India, Indonesia, Kazakhstan, Malaysia, Myanmar, the Philippines, South Korea, the UAE, Germany, and Canada. None of those participants were required to be there. Most found the competition through peer networks, LinkedIn, or direct school outreach. What they encountered was not a textbook exercise. They analyzed real financial problems, constructed arguments about corporate strategy, and defended positions within a structured competition format. The skills they practiced – reading financial statements, identifying risk, building analytical frameworks – are precisely the skills that Japan's revised curriculum describes as objectives but rarely delivers at the secondary level.

The second cycle, launching in June 2026, extends the model further. Students will analyze real-world business challenges facing major Asian technology companies, working through cases that require integrating financial analysis with strategic judgment and regional market context. The deliberate emphasis on Asia-Pacific companies reflects a broader point: the Anglo-American frameworks that dominate most financial education content globally do not map cleanly onto the markets that students in this region will actually operate in.

What IFC demonstrates is not primarily a story about one competition. It is evidence about the nature of the demand that already exists. Students from 12 countries participated voluntarily in rigorous financial analysis without institutional incentive or academic credit. The

constraint is on the supply side, not the demand side.

### What the Gap Tells Us About the Reform's Next Phase

J-FLEC's center of gravity is rational. In the early phase of a complex structural reform, concentrating on adult citizens closest to consequential financial decisions – retirement planning, pension allocation, NISA enrollment – is the right sequencing. That prioritization explains most of what the reform has and has not yet done.

The limitation is generational. Closing Japan's financial literacy gap at scale requires reaching students before those decisions arise, at the point when financial identity and confidence are still being formed. The JFSA's own deputy commissioner has acknowledged that many Japanese citizens lack confidence in taking investment risks precisely because they were not adequately educated during school or in the workplace. That confidence deficit is not formed at retirement. It is established – or not – during secondary school and university.

A complete reform architecture will need a layer that reaches students in applied environments: peer-driven competitions, simulations built around real markets, cross-border case challenges that connect students across the Asia-Pacific rather than isolating financial education within national curricula. J-FLEC's school dispatch program is the necessary foundation. The applied layer builds on top of it, and requires a delivery model that is faster, more peer-driven, and more directly tied to the decisions and market contexts relevant to students in this region.

### Conclusion

Japan has made the right institutional bet. The question is now about sequencing and reach. The generation that will determine whether Japan's 2,200 trillion yen in household assets shifts from savings into productive investment is currently sitting in classrooms where financial education is present in theory and largely absent in practice.

When students across 12 countries participate voluntarily in applied financial analysis without institutional incentive, they are demonstrating that the demand exists and the supply gap is real. Japan's reform will reach its generational potential when it extends to this cohort – not only through curriculum requirements and certified advisor dispatch, but through applied, competitive, cross-border environments that convert financial knowledge into financial competence. The motivation is already present. The infrastructure needs to follow.

**JS**

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