

Financial capability

The need for empirical data

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The importance of financial capability

- It is an important component of consumer protection
 - alongside, consumer protection legislation, information and advice
- There are large numbers of initiatives across most countries
- But we have limited evidence on:
 - the main areas where interventions are needed
 - what impact interventions have
 - and no internationally comparative data



Very few countries have surveyed needs

- 2005 OECD study found only 15 countries had surveys that touched on financial capability
 - Few attempts to measure levels in the adult population
- Since then at least 8 surveys measuring levels of financial capability in:
 - Australia, Canada, New Zealand, Ireland, the Netherlands, Singapore, UK and the US



Little agreement on what to measure or how

- Most analyse attitudes
- Some measure knowledge and understanding of financial terms
- Some are based on self-reporting of knowledge and confidence
- Some attempt to assess actual behaviour
 - this approach being used most currently
 - drawing on the UK survey of financial capability
- Consequently we have little comparative data



Why are baseline surveys important?

- Without them we don't know at a country level:
 - which areas require interventions
 - which groups of people need to be targeted
- So cannot develop an informed strategy
 - and risk supporting inappropriate interventions
- Cannot track changes over time
 - or measure effectiveness of strategies



Why are internationally *comparable* baseline surveys important?

- Without them we cannot compare the situations in different countries
- We cannot analyse the effectiveness of different national strategies
- Or learn which are the best approaches



There is also a need for systematic evidence on the impact of interventions

- Again there is very little robust evidence
- Some positive effects found on specific behaviours
- Personal delivery methods work best for adults

Other results less clear cut

- programs don't always increase knowledge & knowledge doesn't always 'improve' behaviour
- limited evidence on how much education is 'enough'
- know very little about best timing of interventions



Why don't we know more?

- Relatively few programs are evaluated
- Design of programs inhibits their generalisability
- Design of evaluations inhibits conclusions on what is effective



Why don't we know more? Program design

- Imprecise or unmeasurable program goals
 - what constitutes success?
- Little testing of alternative delivery methods, different audiences, different timings
- Inadequate funding for evaluation
 - and evaluation not embedded from the outset so too late to collect information needed



Why don't we know more? Evaluation design

- No consensus on what to measure and how
- Sample sizes and design
 - inadequate and/or unrepresentative samples
 - lack of control or comparison groups
- Data collection
 - few before and after surveys, little follow-up
 - insufficient information on other factors that might influence outcomes



Why don't we know more? Evaluation design ctd

- Data interpretation
 - reported effects too small given design concerns
 - no (or lax) tests of statistical significance
 - statistically *insignificant* results unreported or not discussed
 - lack of independence of reporting



What do we need in future?

- Clear agreement on what we are seeking to affect:
 - Knowledge? Attitudes? Confidence? Behaviour?
- Carefully designed national baseline surveys
 - building on the most successful ones to date
- A core of comparable questions
 - to provide internationally comparative data
 - and to which individual countries can add



What do we need in future? (ctd)

- Programs that are designed so that they can be evaluated
- Evaluation design that allows impact to be measured and generalisations to be drawn
- And robust, independent reporting of the results



An ambitious agenda

- • • but one the OECD could and should take forward

Empirical evidence on the effectiveness of financial literacy initiatives

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