

Financial capability: the need for empirical data
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Financial capability is an important component of consumer protection, alongside, consumer protection legislation, information and advice. But although there are large numbers of initiatives across most countries, we have limited evidence on the main areas where interventions are needed; what impact interventions have and no internationally comparative data on levels of financial capability.

Levels of financial capability

Relatively few countries have undertaken comprehensive surveys of financial capability. A review by the OECD in 2005 identified surveys in 12 countries that had touched on financial capability. Since then surveys have been carried out in eight countries to measure levels of financial capability of the adult population: in Australia, Canada, New Zealand, Ireland, the Netherlands, Singapore, the United Kingdom and the United States.

There is, however, no general agreement on what should be measured 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. There is, however, a trend towards concentrating on behaviour, with some investigation of attitudes and knowledge. This variety of approaches means that we have little comparative data.

Without robust national data we don't know which areas require interventions or which groups of people need to be targeted. This impedes the development of informed strategies to raise levels of financial capability with a risk that inappropriate interventions will be supported. It also means that it is not possible to track changes in levels of financial capability over time or measure the effectiveness of national strategies.

Without internationally comparable data we cannot compare either the situations in different countries or the effectiveness of different national strategies. Nor can we identify which are the best national approaches.

Impact of financial capability interventions

Likewise there is little robust systematic evidence on the impact of financial capability interventions. Some positive effects have been found for programmes to promote specific behaviours (such as saving for retirement). And we know that personal delivery methods work best for adults. But other results are less clear cut. Programmes don't always increase knowledge and, in any case, knowledge doesn't always 'improve' behaviour. There is limited evidence on how much education is needed and we know very little about the best timing of interventions

Why don't we know more? First, large numbers of programmes have not been evaluated at all. Secondly, the design of programmes often inhibits their generalisability. This is because they often have imprecise or unmeasurable goals;

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there is no clear statement of what constitutes success, and there is little testing of alternative delivery methods, different audiences and different timings. Generally, speaking, levels of funding for evaluation are inadequate and evaluation is not embedded from the outset of programmes which limits the data that can be collected. Thirdly, the design of evaluations restricts the conclusions that can be drawn on what is effective. There is no consensus on what to measure or how; many have inadequate and/or unrepresentative samples and very few have a control or comparison group. Few include before and after surveys, and fewer still follow-up after the end of the programme. Most collect insufficient information on other factors that might influence outcomes. There are also short-comings in data interpretation: reported effects are often too small given the design defects outlined above; many evaluation reports include no (or lax) tests of statistical significance; statistically *insignificant* results can be just as important as significant ones but are often either unreported or not discussed.

What do we need in future?

We need clear agreement on what we are seeking to affect: knowledge? attitudes? confidence? behaviour?. We then need carefully designed national baseline surveys, which include a core of comparable questions to provide internationally comparative data. We need programmes that are designed so that they can be evaluated; evaluations that are designed to measure their impact and allow generalisations to be drawn and robust, independent, reporting of the results

This is an ambitious agenda but one the OECD could and should take forward