

PISA

Students' financial literacy: results from PISA 2015

December 2017
Rio de Janeiro



The PISA financial literacy test

- **In 2015, around 48 000 students were assessed in financial literacy, representing about 12 million 15-year-olds in the schools of the 15 participating countries and economies**
- **Students in countries and economies that participated in the financial literacy answered**
 - a two-hour combination of tasks in science, reading and mathematics
 - A one-hour test in financial literacy (43 items) after the core assessment
 - Questions about their experience with money such as discussing money matters with parents, basic financial products and sources of money (through a ‘money management questionnaire’)
 - ... in addition to the standard questions about their personal background



Young people are already financial consumers and will soon encounter complex financial decision

Some 56% of 15-year-olds in participating OECD countries and economies have a bank account, 19% have a prepaid debit card

56%

64%

Some 64% earn money from some type of work activity

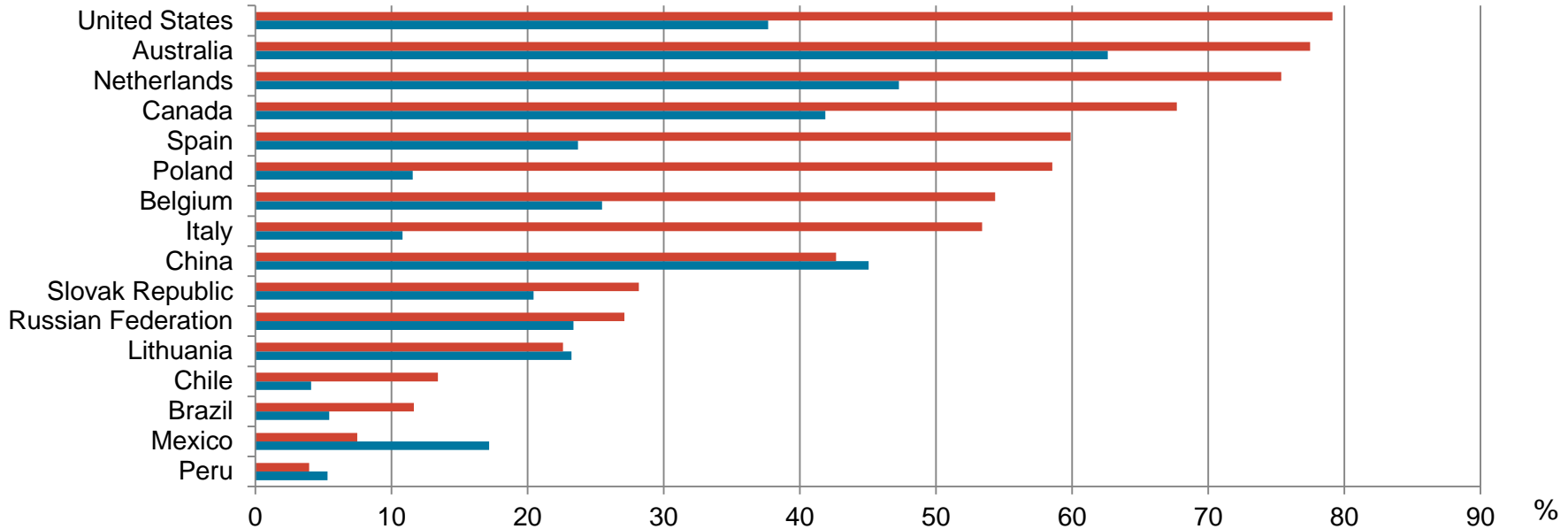
But fewer than one in three students have the skills to manage a bank account

31%

Many young people use digital financial products

Percentage of young people age 15-24 who have:

■ Made payments online using the Internet ■ Made a transaction using a mobile phone



Source: World Bank [Global Findex, 2014](#)

Globalisation and digital technologies have made financial products and services more widely accessible but also more challenging

- More challenging financial choices
 - The spread of digital financial services opens up new opportunities for financially excluded people to access the formal financial system...
 - but also exposes consumers to new security threats and risks of fraud that are compounded when low financial literacy is combined with poor digital skills and low cyber security awareness
- More financial risks
 - Increased life expectancy, less welfare protection, more “individualized” pensions, and more uncertain economic and job prospects due to digitalization, technological change, globalization
- Growing inequality

Financial education is a complement to financial consumer protection, inclusion and regulation

- More challenging financial choices
 - The spread of digital financial services opens up new opportunities for financial inclusion, but also risks of people to access the formal financial system

Financial literacy

Consumer protection and regulation

- Increased financial literacy, less welfare protection, more individualised pensions, and more uncertain economic and job prospects due to digitalisation, technological change, globalisation
- Growing inequality



Financial literacy in PISA

Knowledge and understanding of financial concepts and risks...

...and the skills, motivation and confidence to apply such knowledge and understanding...

...in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life



What does financial literacy mean for the lives of 15-year-olds?

Balance their priority and plan what to spend money on

- ...if they go to the cinema, will they still have enough money for the bus fare home? Or would it be better to buy pizza and invite friends home?

Remember that some of the purchases have ongoing costs

- ...a games console will need new games, a motorbike will need fuel, tyres and services

Being alert to possible fraud

- ...Some emails that look like they came from their bank might not be legitimate, they should know what to do if they are not sure

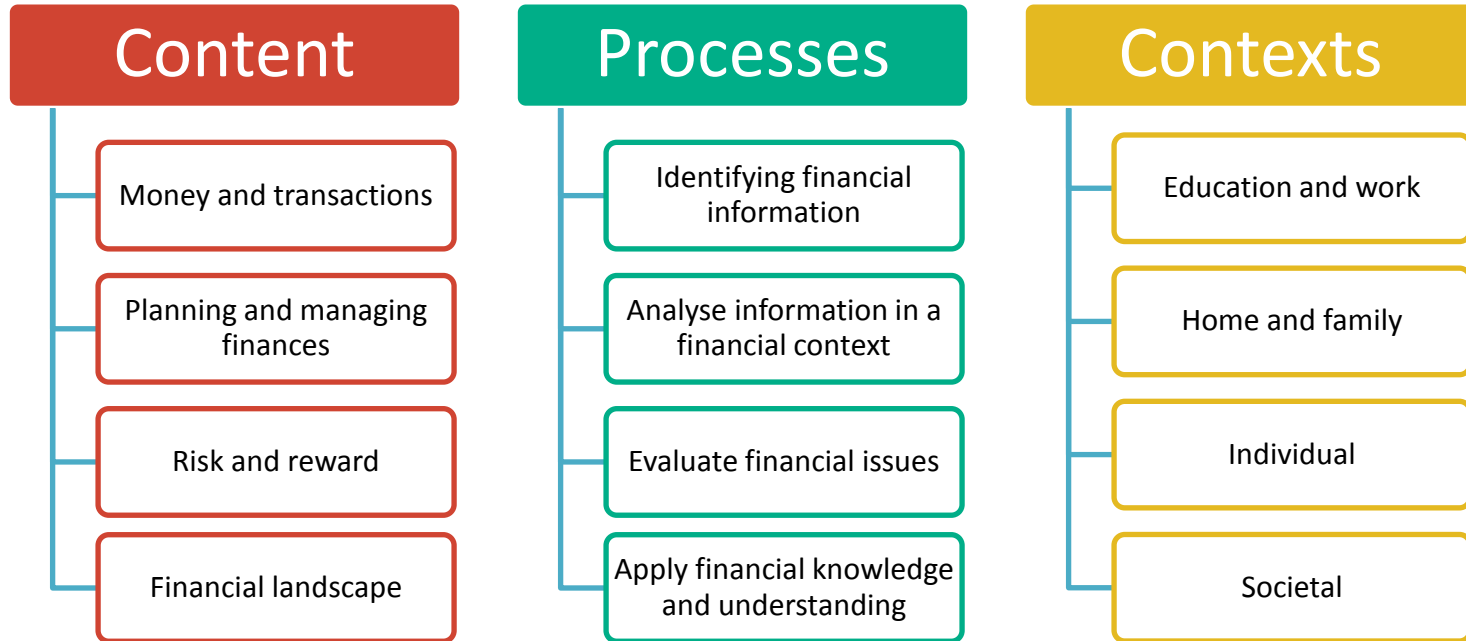
Knowing what risk is and what insurance is meant for

- ...If their phone gets stolen, they should ask their parents if it is covered by their household insurance

Make an informed decision about credit

- ...they should know that if they buy a computer on credit they will have to pay interest on the loan, on top of the advertised price for the compute

PISA framework for financial literacy



What the results tell us?



5 research questions and a policy goal

1. What are the current **needs and gaps in financial literacy of students** across countries and within countries?
2. What are the **main factors** explaining the **wide inequalities** within country?
3. Is financial literacy only about **mathematics and reading** ?
4. What are students' current **experiences with money matters** ?
Is it related to financial literacy?
5. How is financial literacy related to students' **financial behaviors** and future expectations?

→ Goal : Evidence to support **effective policy action**

Students' performance in financial literacy

What are the needs and gaps across and within countries?

Mean performance in financial literacy

Mean financial literacy score

Change between 2012 and 2015

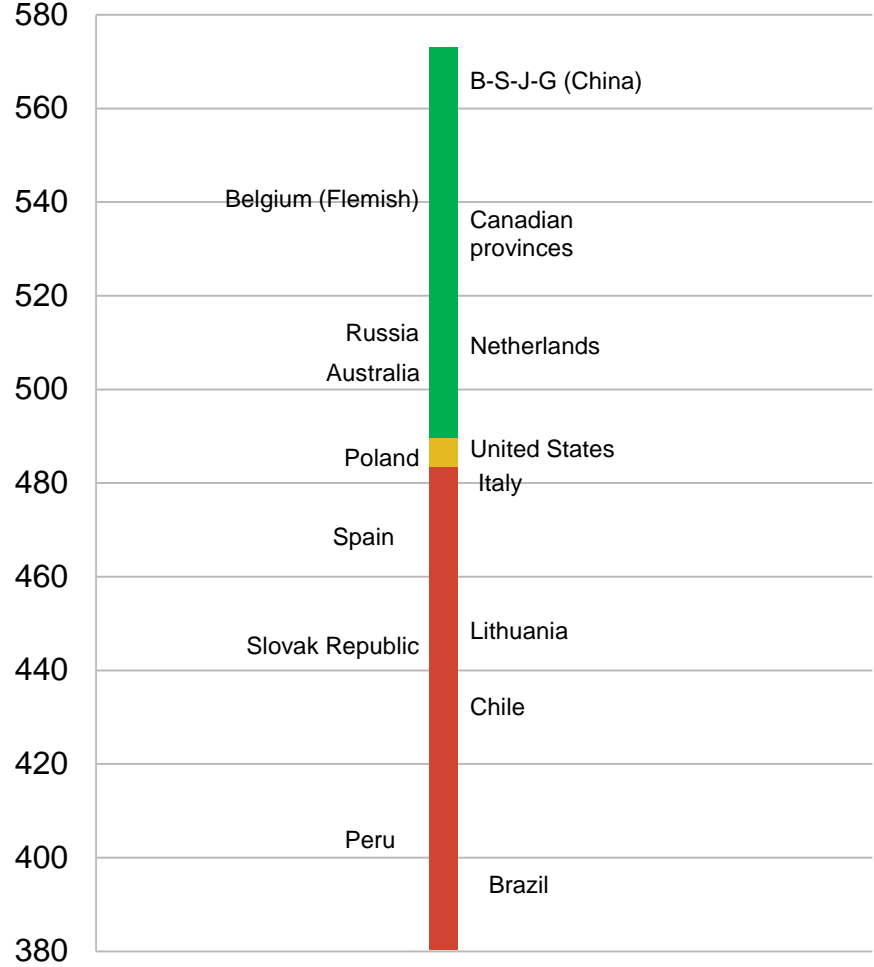
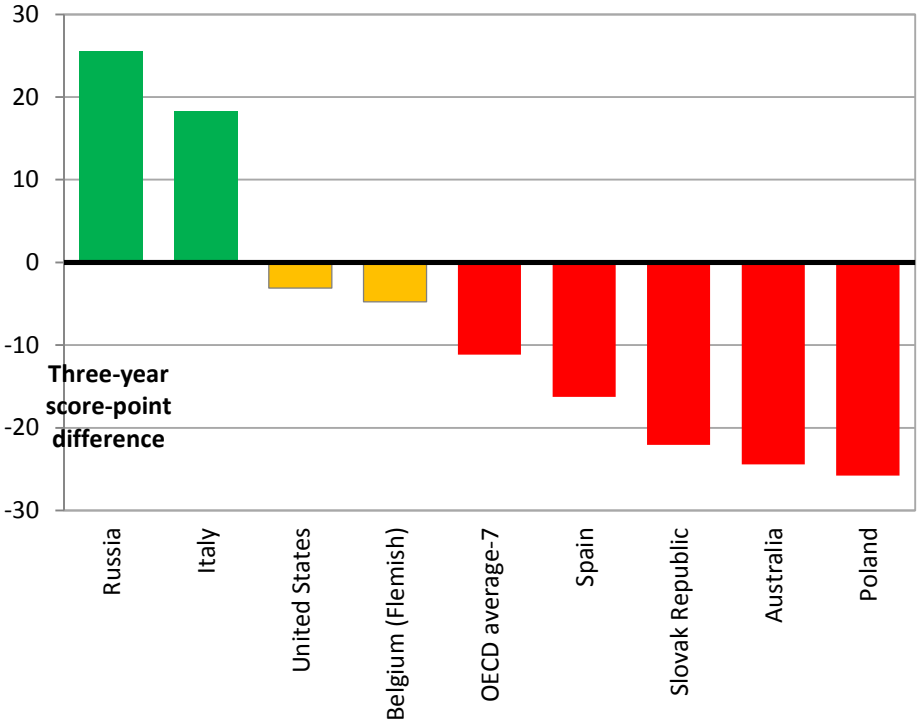
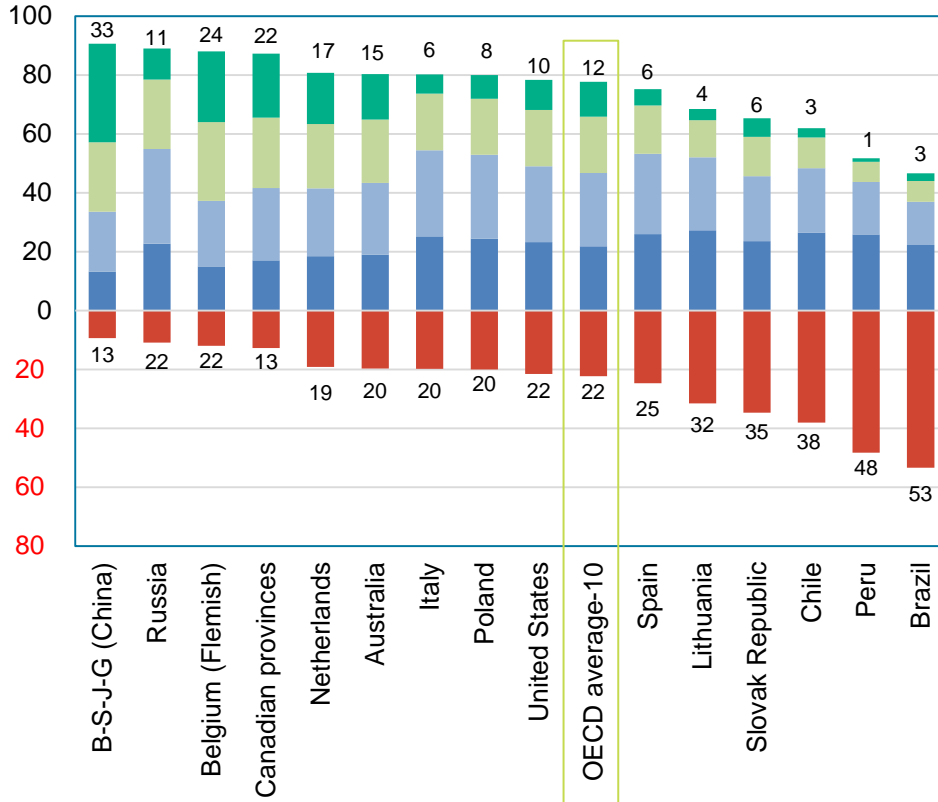


Figure IV.3.6

Students' financial literacy by proficiency levels



BANK ERROR - Evaluate a potential financial fraud and respond appropriately to a financial scam e-mail message – Level 5

PAY SLIP - Read a pay slip and recognise that the employer will only pay net salary into the employee's bank – Level 4

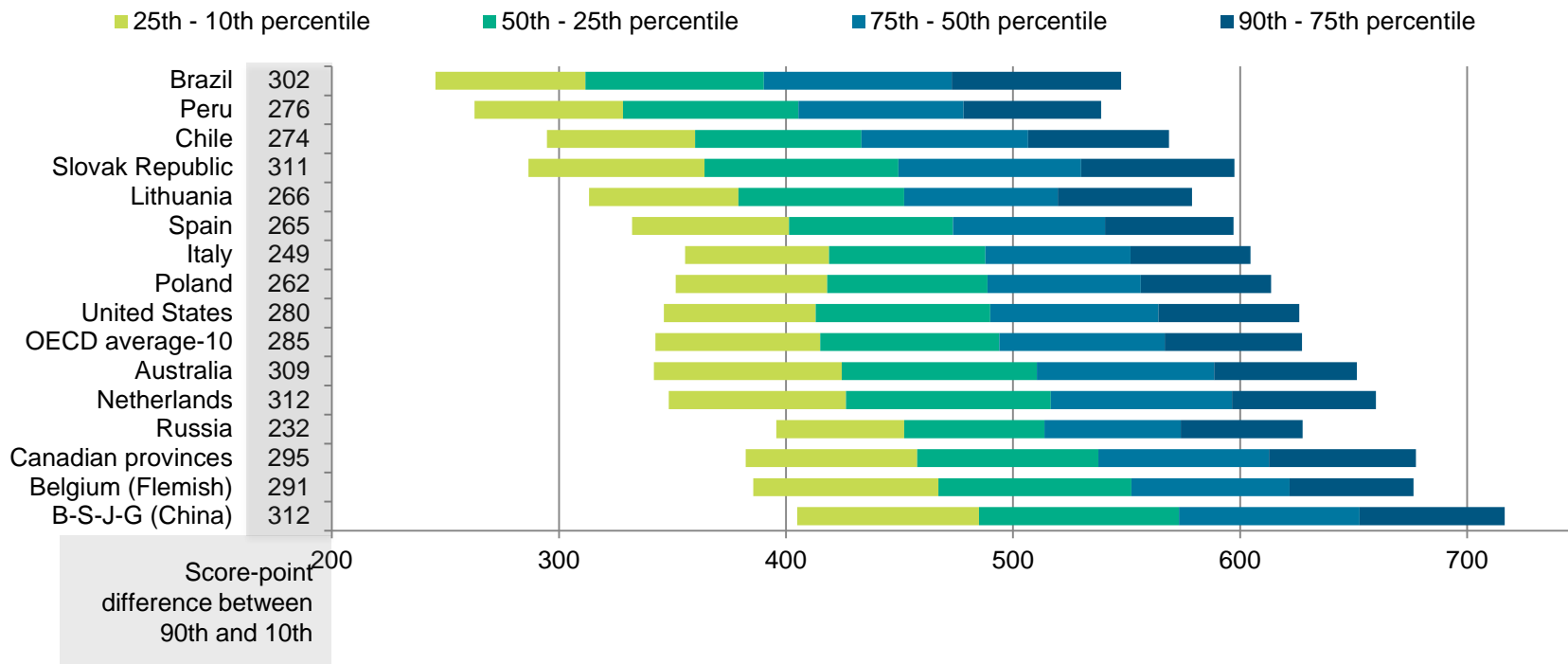
INVOICE Question 3 (partial credit) - Interpret various elements on the same invoice to correct a mistake in the billing – Level 3

INVOICE Question 2 - Identify a delivery cost that is explicitly stated on an invoice – Level 2

INVOICE Question 1 – Recognise the purpose of an invoice - Below Level 2

Variation within each country is wider than the variation between countries at the mean

Percentage of students at various percentiles on the financial literacy scale

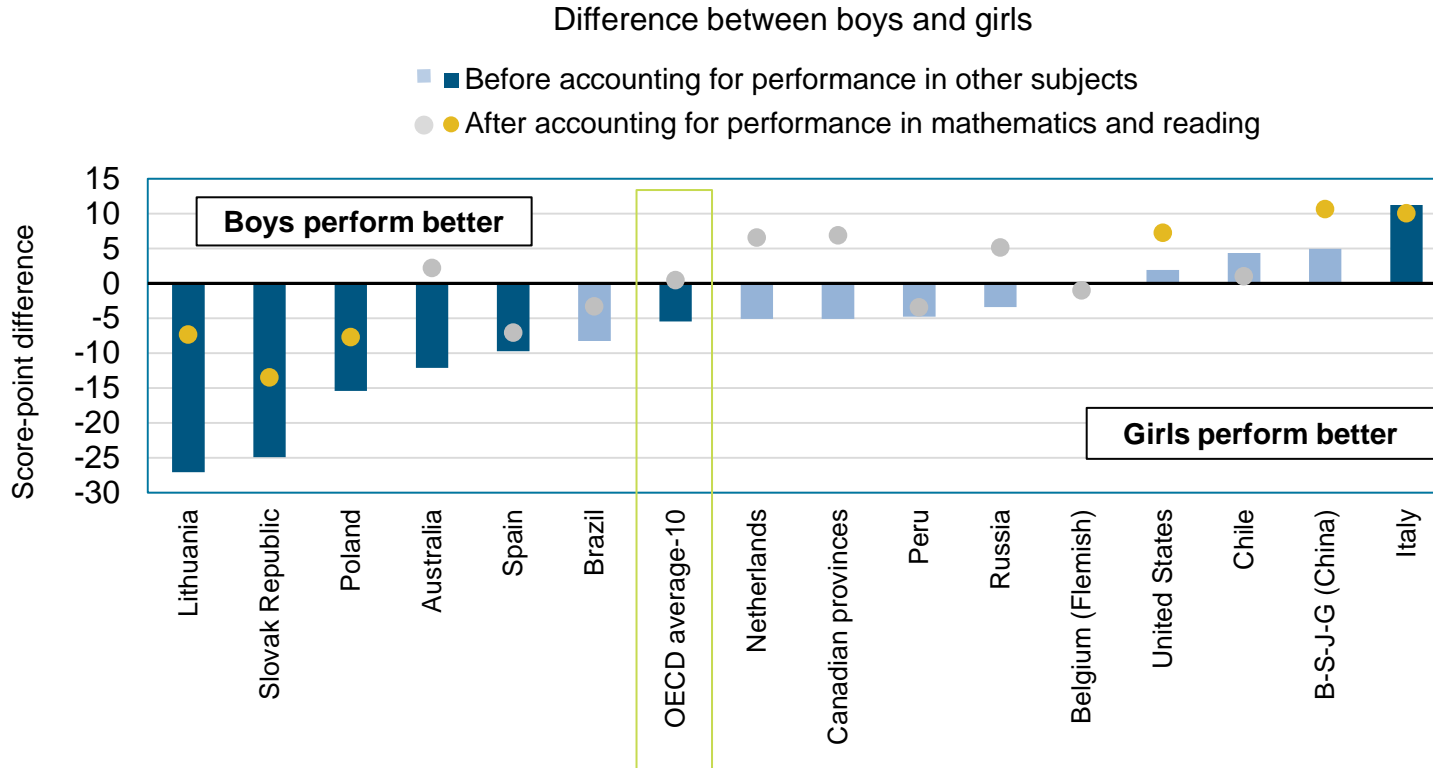


Varying opportunities to improve students' financial literacy

What are the main factors (gender, socio-economic and immigrant background) explaining the wide inequalities within country?

Figure IV.4.4

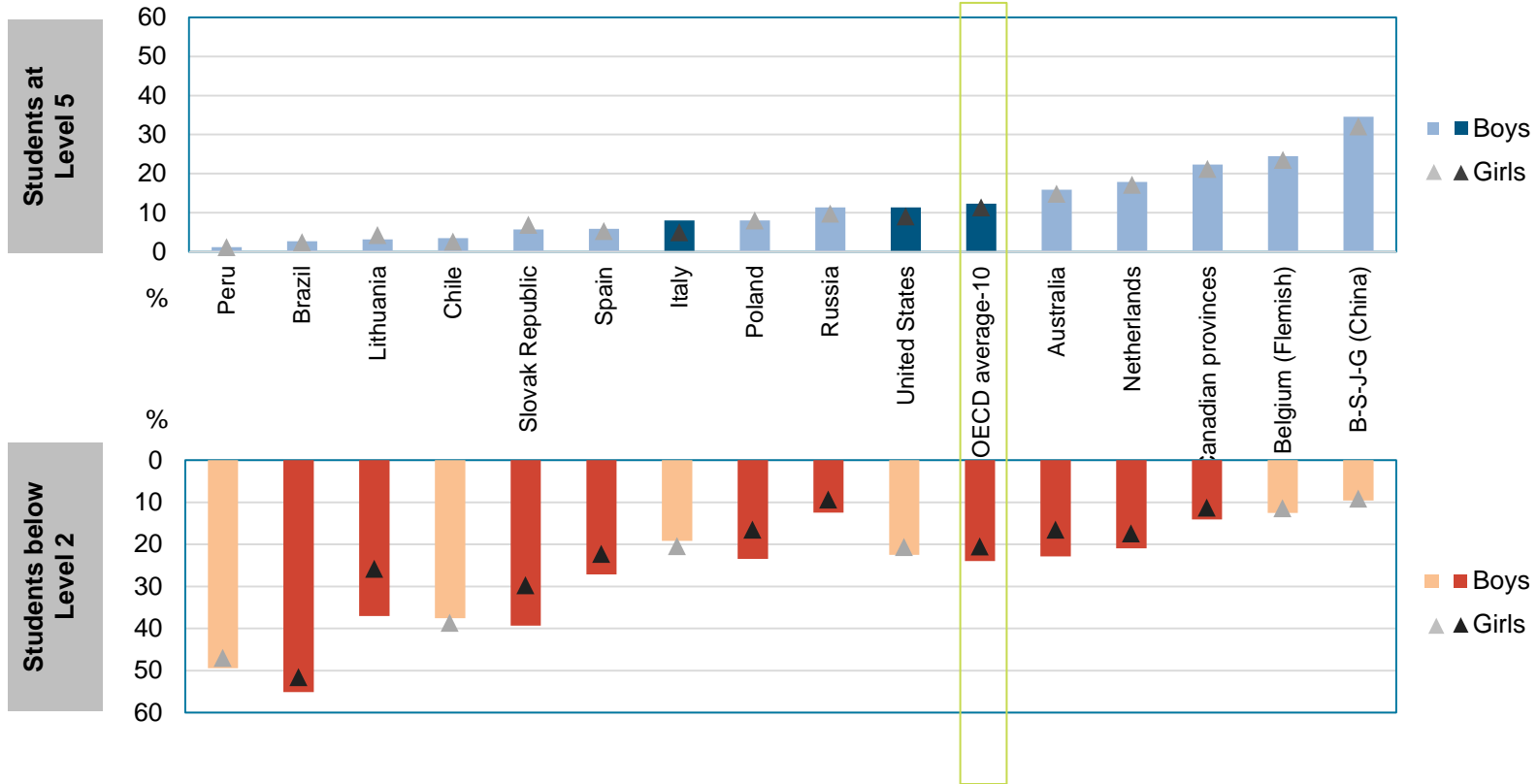
In most countries/economies there are no differences in financial literacy between boys and girls at the mean...



Gender differences in financial literacy may be related different opportunities for learning, different contexts in which men and women grow up and live, and to a possible variation of these factors across generations.

Figure IV.4.5

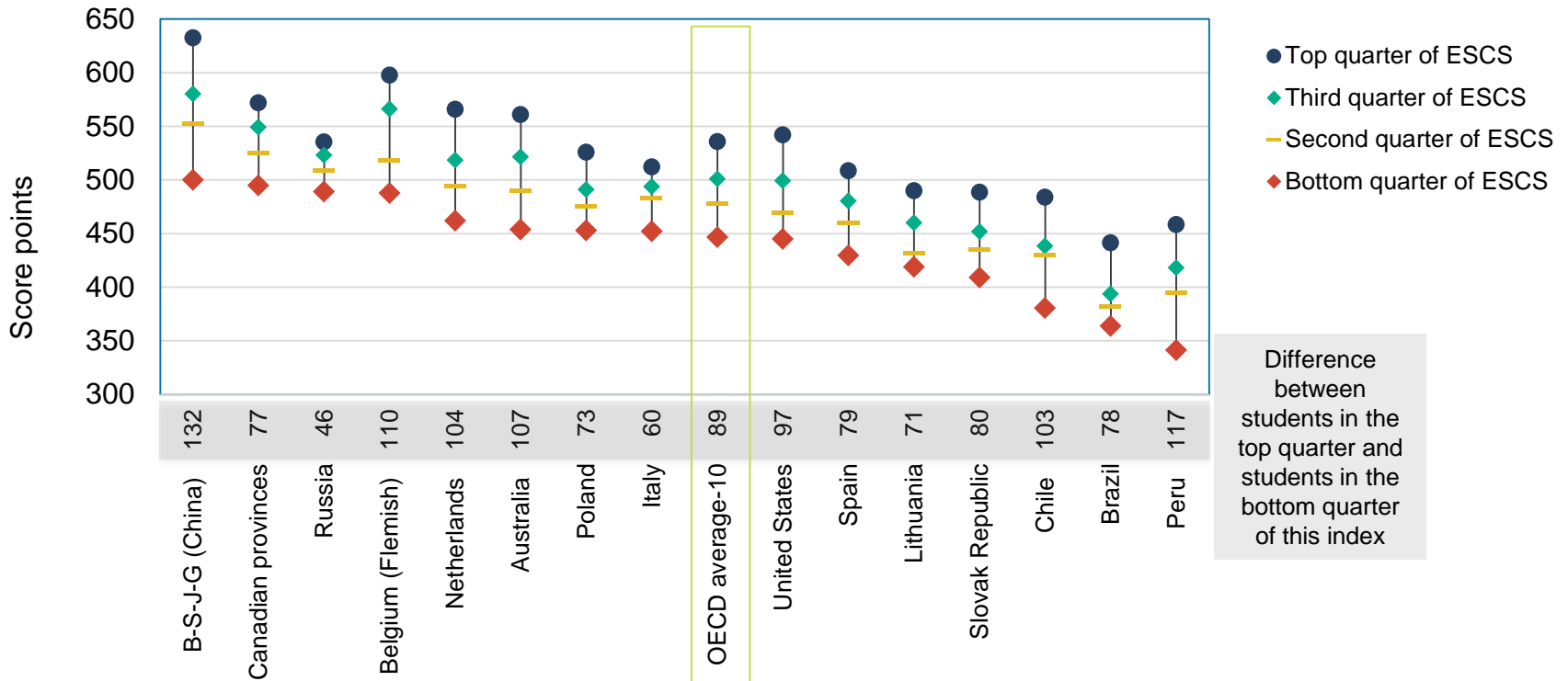
... but in 9 countries and economies out of 15, more boys than girls are low performers



Socio-economically advantaged students score 89 points higher than disadvantaged students, on average across OECD, equivalent to more than one PISA proficiency level

Table IV.4.11

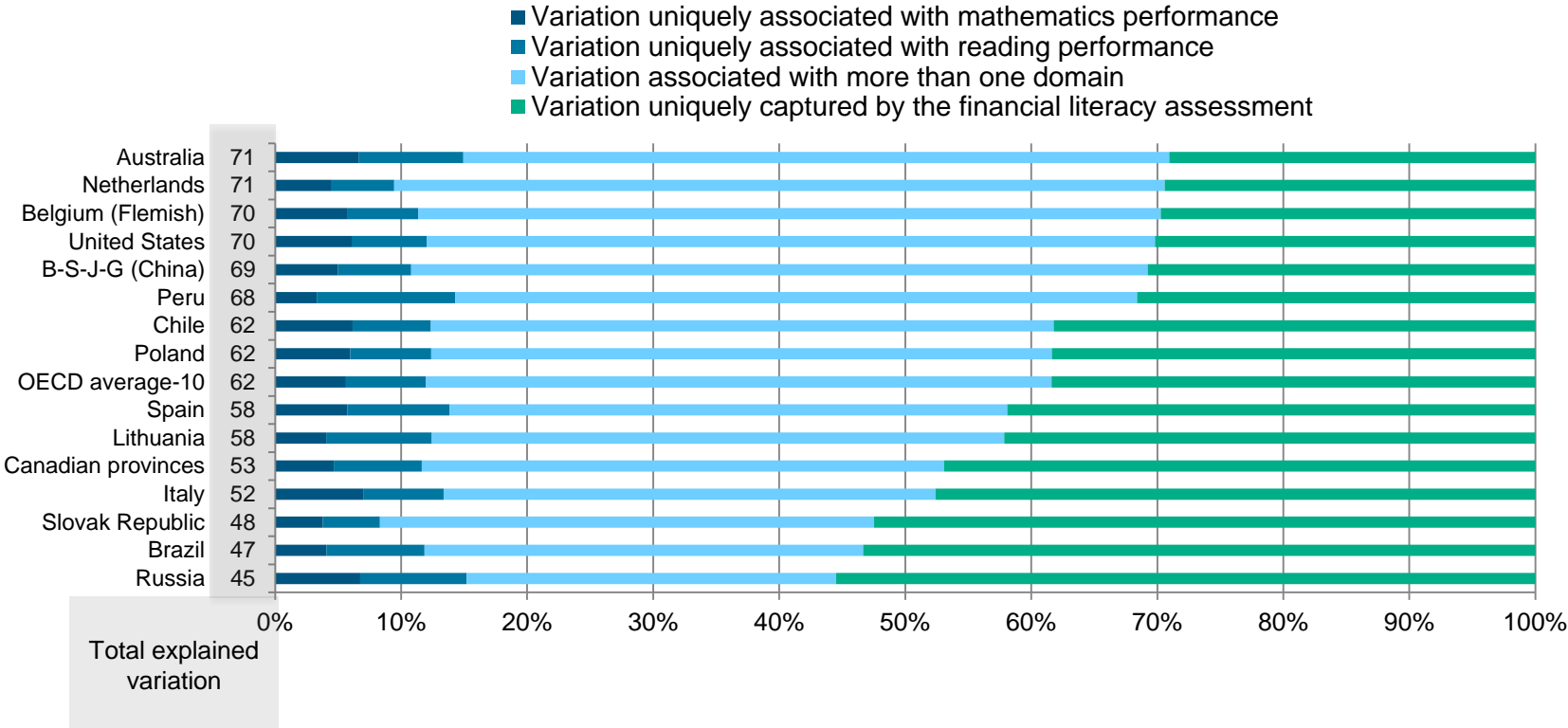
Mean score, by quarters of the PISA index of economic, social and cultural status (ESCS)



Is financial literacy only about
mathematics and reading?



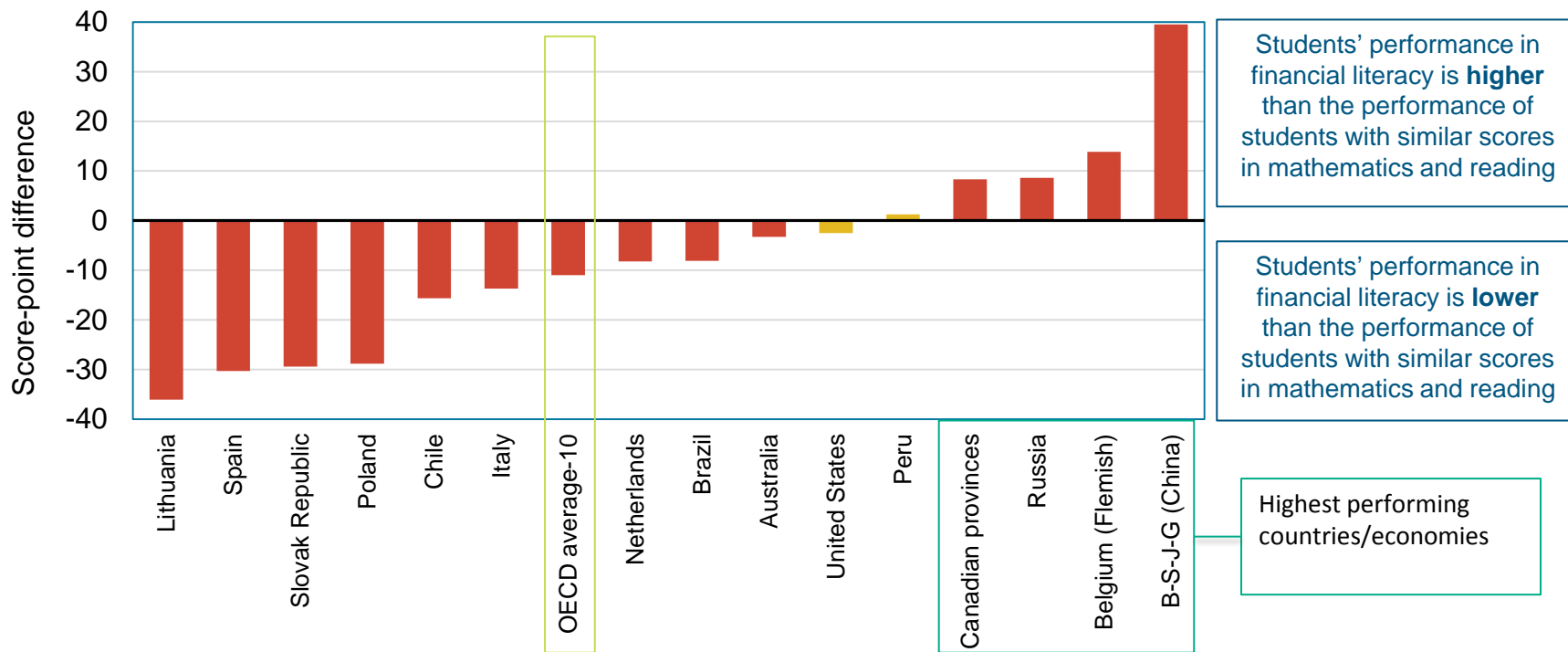
Student performance in financial literacy is correlated with performance in mathematics and reading, but around 38% of the score reflects factors that are uniquely captured by the financial literacy assessment



Financial literacy skills may go beyond or fall short of the ability to use the knowledge that students acquired in compulsory education

Figure IV.3.12

Difference between the actual financial literacy score and the score predicted by students' performance in mathematics and reading

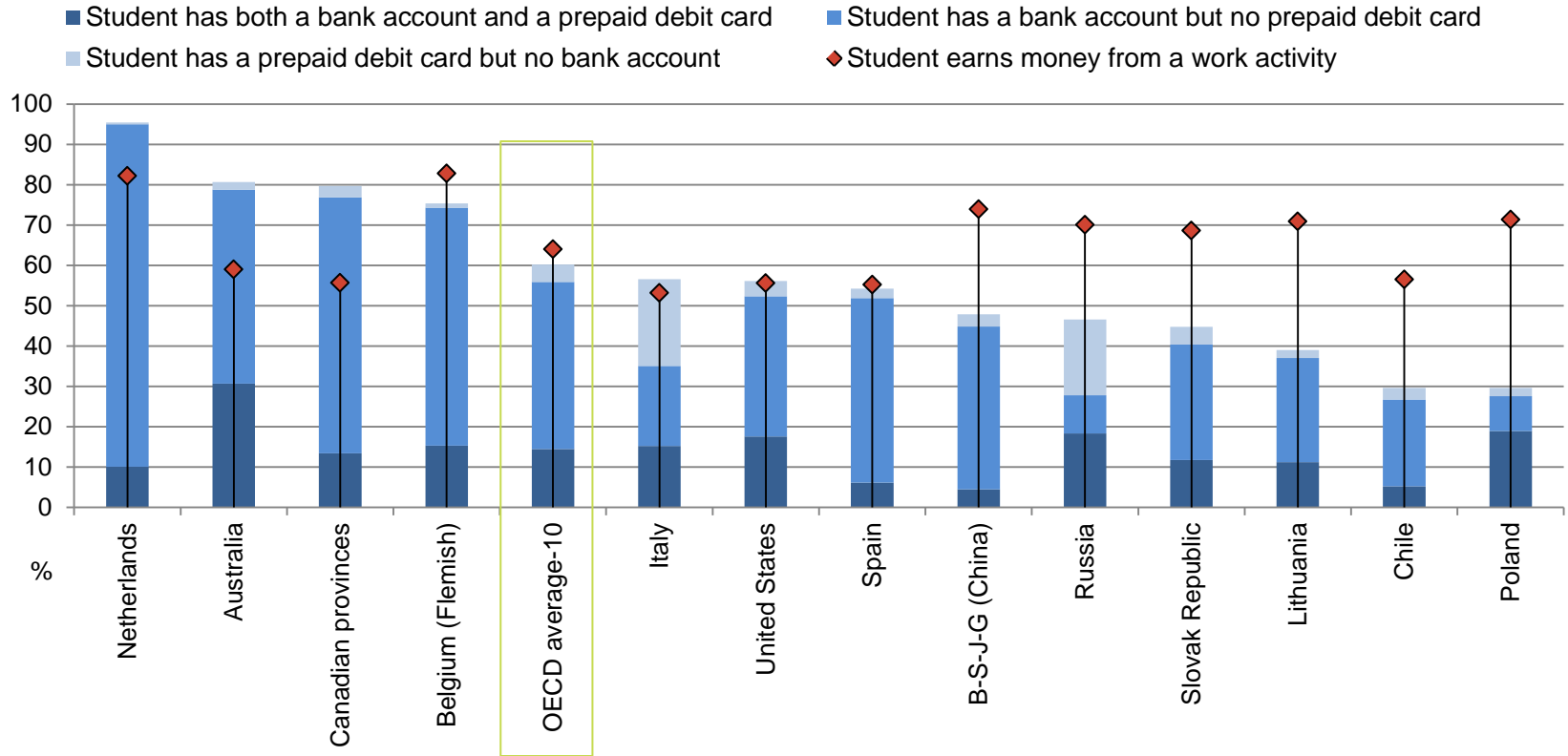


Learning by doing

What are students' current experiences with
money matters ?
Are these related to financial literacy?

Many students hold basic financial products or earn money from work

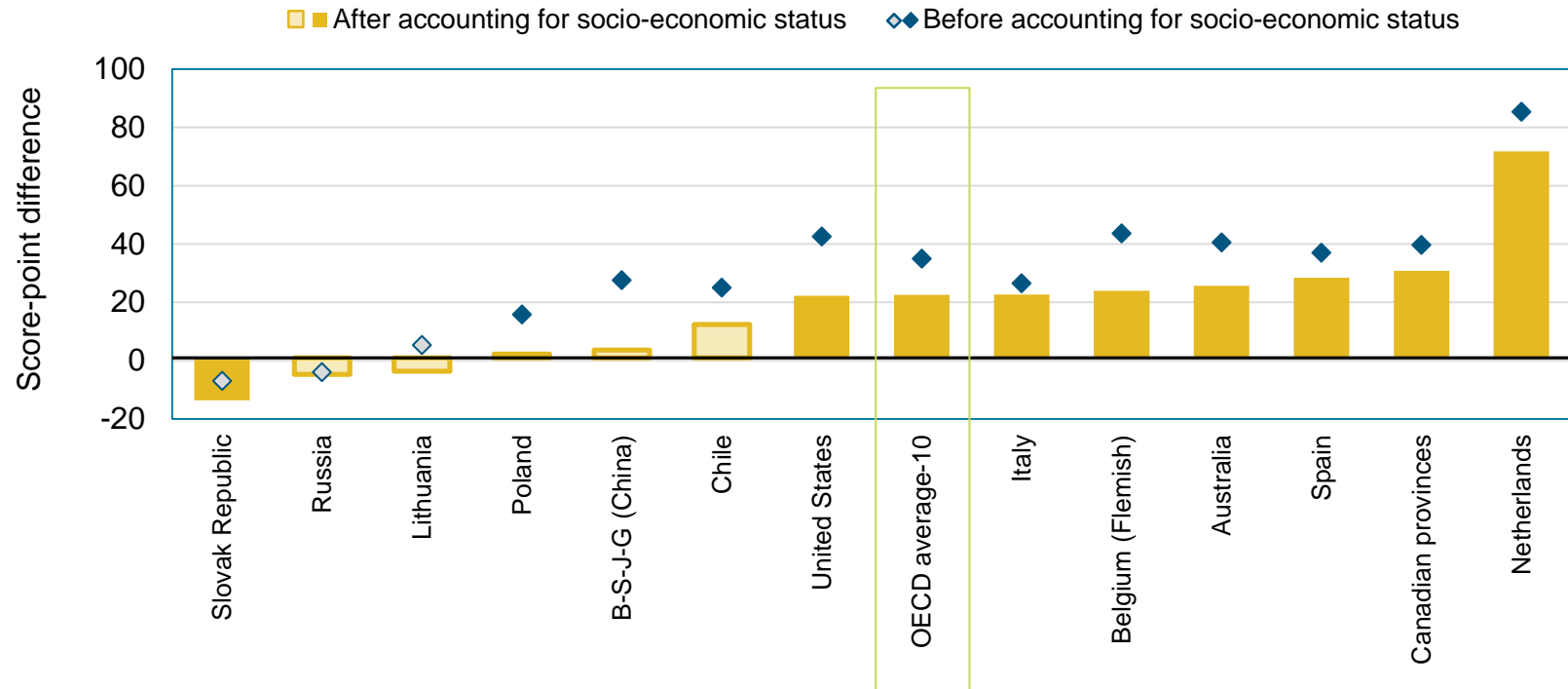
Figure IV.2.1



On average, students who hold a bank account perform better in financial literacy than students of similar socio-economic status who do not have a bank account

Figure IV.5.5

Difference between students who have a bank account and students who do not



Financial literacy and financial decisions

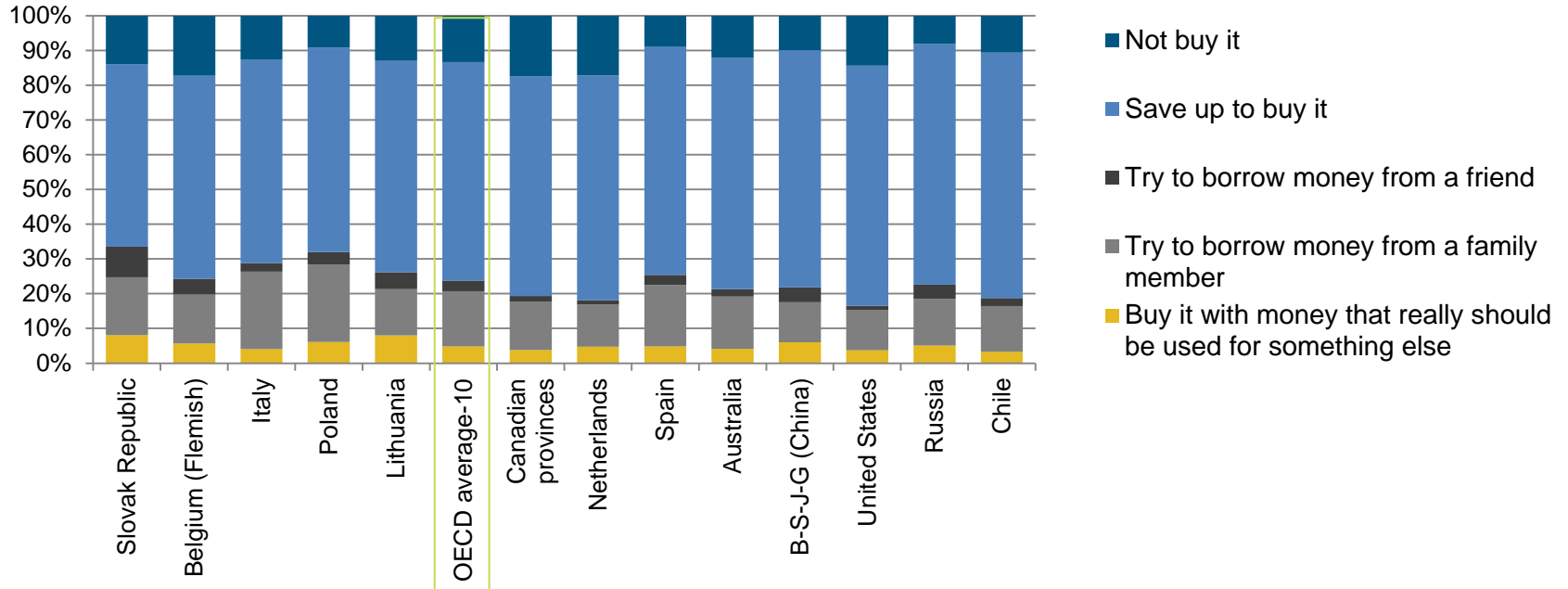
How is financial literacy related to students'
financial behaviors?

Figure IV.6.1

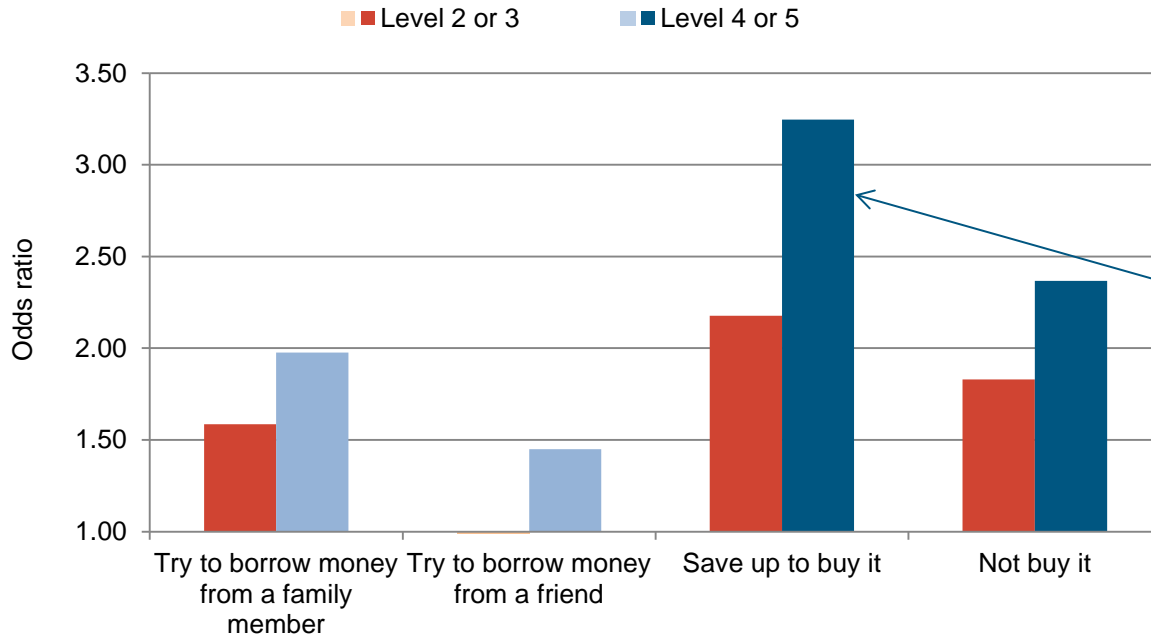
Most students would save if they want to buy something for which they do not have enough money

Percentage of students who gave the following replies to the question:

“Likelihood of students’ response to the question “If you don’t have enough money to buy something you really want (e.g. an item of clothing, sports equipment) what are you most likely to do?”



Students' financial literacy is associated with understanding the value of saving

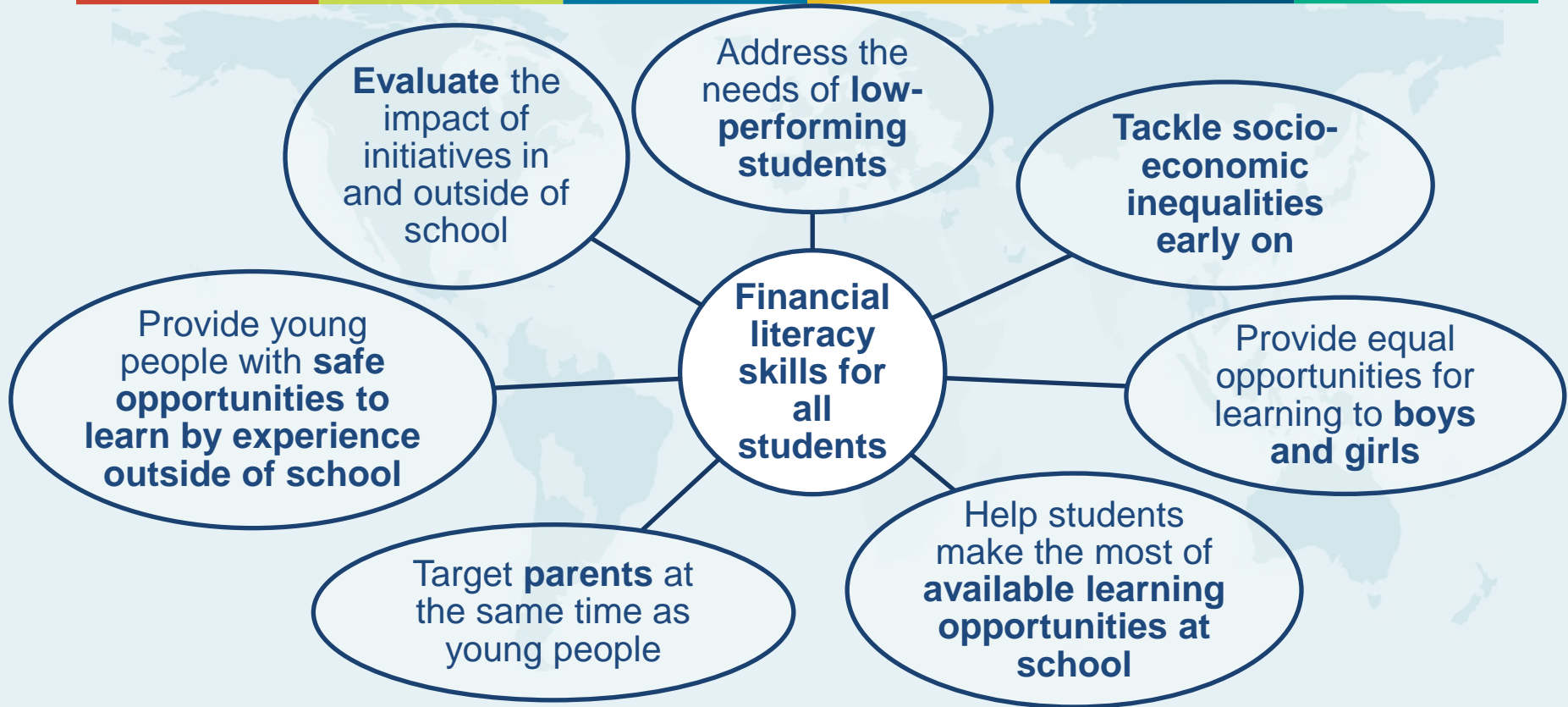


High performing students are more than twice as likely as low-performing students in financial literacy to choose the statement "Save up to buy it" rather than "Buy it with money that really should be used for something else", after accounting for performance in mathematics and reading and other characteristics.

What do the results mean for policy?



A multifaceted policy agenda



Out of school initiatives

- Videos, competitions, interactive tools, events (money weeks, savings day), museums, serious games
 - ...complementary to school initiatives
 - ...can reach out-of-school young people
 - ... participation of non-profits and private sector to be monitored
 - ...again their impact needs to be evaluated more regularly

Thank you Muchas Gracias Obrigado

Find out more about our work at www.oecd.org/pisa
All publications and the complete micro-level database

www.oecd.org/finance/financial-education

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and remember: **Without data, you are just
another person with an opinion**