



## Measuring Financial Literacy

A pilot study from the OECD  
International Network on  
Financial Education

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## Outline

- **Defining financial literacy**
- **The importance of measurement**
- **The challenge of creating a robust measure**
- **The OECD financial literacy measurement pilot**
- **Progress to date**
- **Next steps**



## Defining financial literacy

- **Financial literacy can be defined as:**

*A combination of awareness, knowledge, skills, attitude, and behaviours necessary to make sound financial decisions and ultimately achieve individual financial wellbeing*



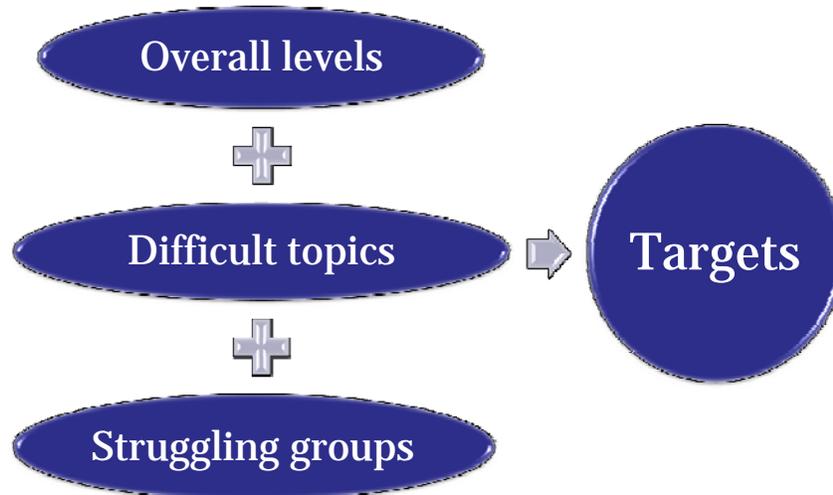
## The importance of measurement

- **Measuring financial literacy is an important step in defining a national strategy:**

- It provides hard evidence of the issues faced and the groups with the greatest difficulties
- It enables policy makers to identify priorities and set targets
- A first measure provides a baseline from which to measure change
- An internationally comparable measure helps policymakers to countries they can learn from, or work with to increase financial literacy



## What can a financial literacy measure tell us?



## The challenge of creating a robust measure

### **Measuring financial literacy requires:**

- Adequate resources to undertake a survey
- A clear definition that describes the components of financial literacy
- Appropriate questions that can capture these components
- Analytical experience to make full use of the data collected



## Addressing the challenges

- For these reasons, the OECD has created a survey that is **cost effective**, with questions that are **applicable across a wide range** of countries, and that provides data that can be **analysed in a standard way**
- We also offer **support and guidance** to participating countries throughout the process



## The OECD Measurement Pilot

### **The development process:**

We reviewed national surveys to identify:

- What topics are covered in each survey
- good practice questions that work well to show high and low levels of financial literacy
- appropriate methods for data collection
- approaches to analysis including ways of creating an financial literacy indicator measure



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### **The outputs of the development process:**

- A short, core questionnaire with 19 key questions all of which are applicable across countries and personal circumstances
- Catalogue of around 60 supplementary questions to address country level issues
- Guidance on practical considerations, methods of data collection and implementation of fieldwork
- Discussion document on analysis process



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### **What the questions cover:**

1. *Behaviour* and *attitudes* relating to day to day money management & financial planning
2. *Awareness* and use of financial products
3. Financial *knowledge*
4. *Personal characteristics*

### **How the data is collected:**

- Face to face or phone interviews of adults
- Minimum sample of 1000
- Representative in terms of age and gender



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### **Analysis of specific questions, for example:**

- Percentage getting particular questions correct
- Percentage exhibiting positive attitudes towards saving
- Percentage reporting a particular behaviour
- Differences in proportions of men and women giving such responses
- Differences by age
- Differences across countries



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### **More in-depth measures, including:**

- A knowledge score using all relevant questions testing financial knowledge
- A comprehensive indicator to measure financial literacy using attitudes, behaviour and knowledge
- Analysis of levels of financial literacy by key socio-economic variables including gender, age, education level



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### **Progress to date:**

- 12 countries have recently piloted the core questionnaire:

Armenia, Czech Republic, Estonia, Germany, Hungary, Ireland, Malaysia, Norway, Peru, Poland, UK, South Africa

- Other countries to use questions in 2011
- OECD INFE secretariat undertaking international comparison of financial literacy using pilot data: first results Q4 2011.



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### **Next steps:**

- Assess the efficacy of the core questionnaire and modify, add or remove questions if necessary
- Fine-tune and record the analysis process so that it can be repeated in future
- Share the questionnaire and supplementary questions widely and encourage all countries to use them
- Encourage follow-up surveys amongst pilot countries in 3 or 4 years to assess changes in levels of financial literacy





*THANK YOU*  
Comments and questions are  
welcome

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