



FINANCIAL EDUCATION POLICIES AND TRENDS

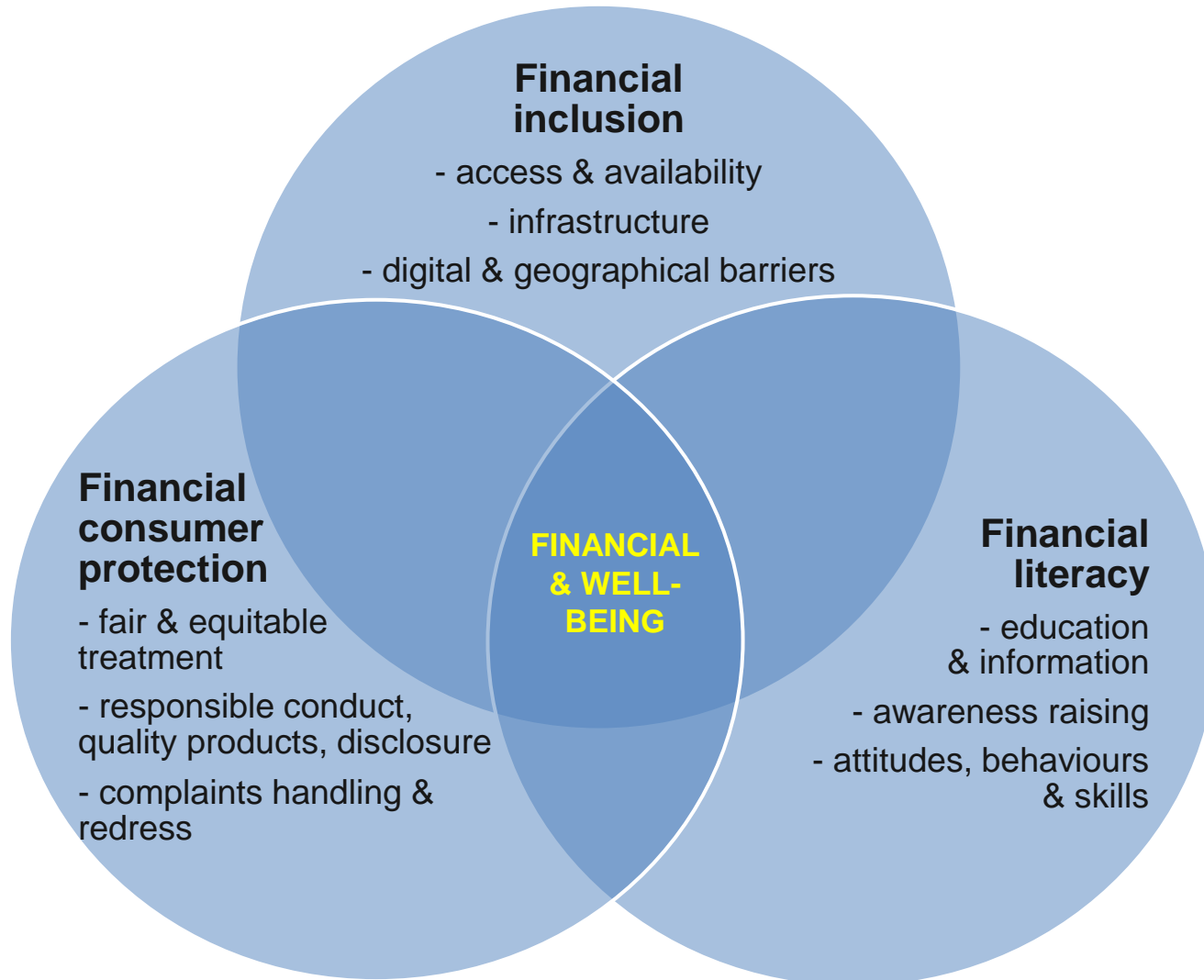
INSIGHTS FROM THE 2023 OECD/INFE INTERNATIONAL FINANCIAL LITERACY SURVEY

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Adult Financial Literacy in Malta
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Policies supporting individual financial well-being



Trends, risks & opportunities

- *Digitalisation*
 - digital security – risk of scams & frauds
 - use of algorithms – risk of bias or lack of transparency
 - cryptoassets, digital financial products, fintechs
 - digital financial literacy
- *Sustainable finance*
 - unclear definitions and terms
 - growing consumer demand, but lack of understanding
 - risk of “greenwashing”



OECD bodies and instruments addressing these issues

G20/OECD Task Force on Financial Consumer Protection

- G20/OECD High-Level Principles on Financial Consumer Protection (updated 2022)

OECD International Network on Financial Education (INFE)

- OECD Recommendation on Financial Literacy (2020)

Contributing to G20 Global Partnership for Financial Inclusion (GPFI)



FINANCIAL LITERACY



2020 OECD Recommendation on Financial Literacy



Single, comprehensive, instrument on financial literacy

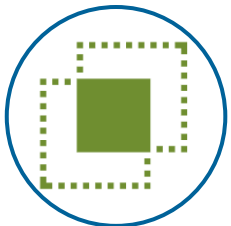
To design, implement and evaluate financial literacy policies

Building on 4 previous Recommendations, and work for the G20 and APEC



Holistic approach to financial-consumer issues

Where financial literacy, together with improved financial access, adequate consumer protection, and regulatory frameworks, are expected to support financial resilience and well-being



Key areas

1. National strategies for financial literacy
2. Financial literacy and the various sectors of the financial landscape
3. Effective delivery of financial literacy programmes



National strategies for financial literacy

Sustained, co-ordinated approach to financial literacy, taking into account differing national, regional and local circumstances

- Based on evidence (including evaluation)
- Based on solid and collaborative governing arrangements
- Addresses relevant issues and groups
- Ensures effective provision of financial education programmes



Competency frameworks on financial literacy

Developed with and for the EU, but can provide inspiration in other regions

Includes competences on **knowledge, attitudes and behaviours in financial literacy**

Support the development, implementation and evaluation of financial literacy policies and programmes

Cross-cutting dimension: Digital financial competences and Sustainable finance competences

Framework for children and youth forthcoming (October 2023)





OECD / INFE survey to measure financial literacy and financial inclusion

Survey instrument to capture financial literacy...

- *...a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being*

...in a representative sample of adults, and available in a [Toolkit](#)

- Questionnaire (core) and optional questions
- Methodological notes; Interviewer briefings

G20 Leaders welcomed and supported its use in 2013

Updated in **2015** and in **2022** to include new areas



Participating countries and jurisdictions across the globe

Global Financial Literacy Comparative Measurement exercise, unique in its reporting depth

39 countries and economies, including 20 OECD Member countries and 8 G20 countries

The OECD/INFE 2023 International Survey of Adult Financial Literacy (FL) presents average FL and digital FL levels, computed following the OECD/INFE methodology

The report presents also levels of financial well-being





OECD/INFE Methodology

Methodology follows the updated
**OECD/INFE 2022 Toolkit for
Measuring Financial Literacy**

OECD/INFE defines financial literacy:

‘A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being.’

FINANCIAL LITERACY

Financial Knowledge

Basic understanding of inflation, interest, compounding, risk

Financial Behaviour

Revealing prudence in saving, long term planning, keeping track of cash flow, making considered purchases

Financial Attitude

Demonstrating long term attitude to money and affinity towards saving

USE OF FINANCE AND OUTCOMES OF FINANCIAL EDUCATION

Financial Inclusion

Awareness of multiple products and their use

Financial Resilience

Availability of savings, experience of stress, prudence in planning and budgeting

Financial Well-being

Having control over money, ability to pursue life goals, lack of financial stress



Financial Literacy and its Components

- Financial Literacy Score

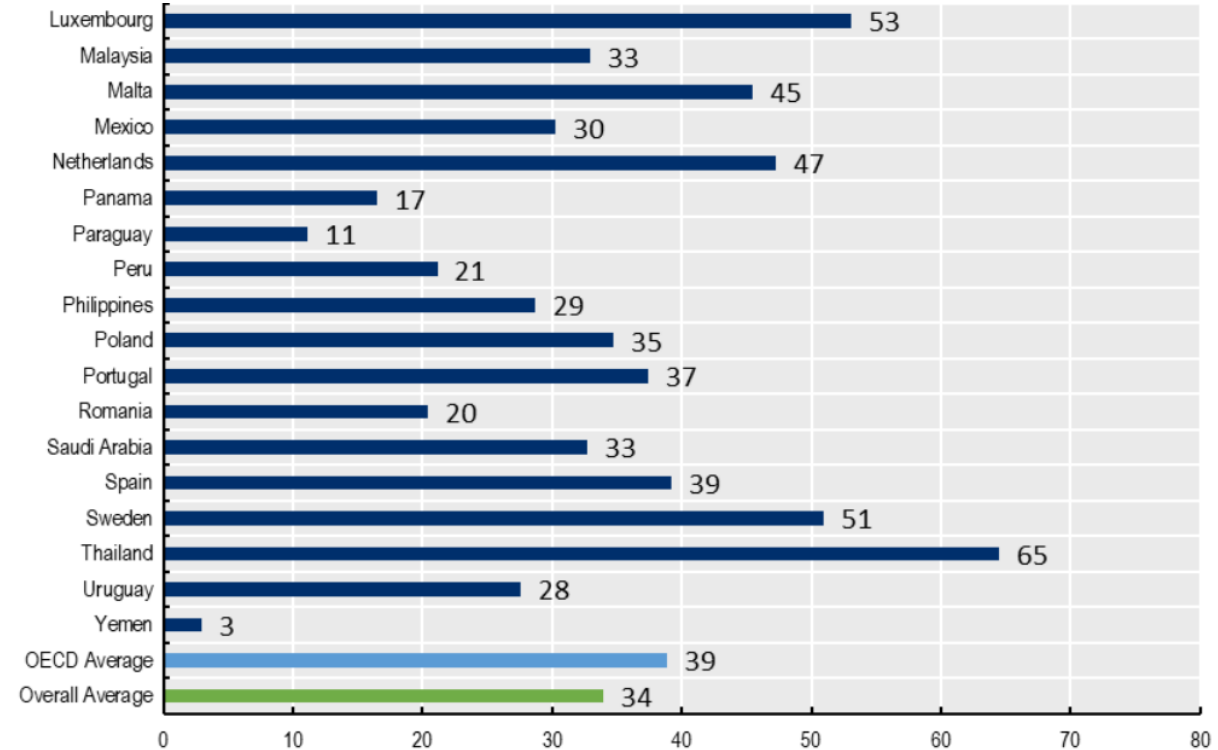
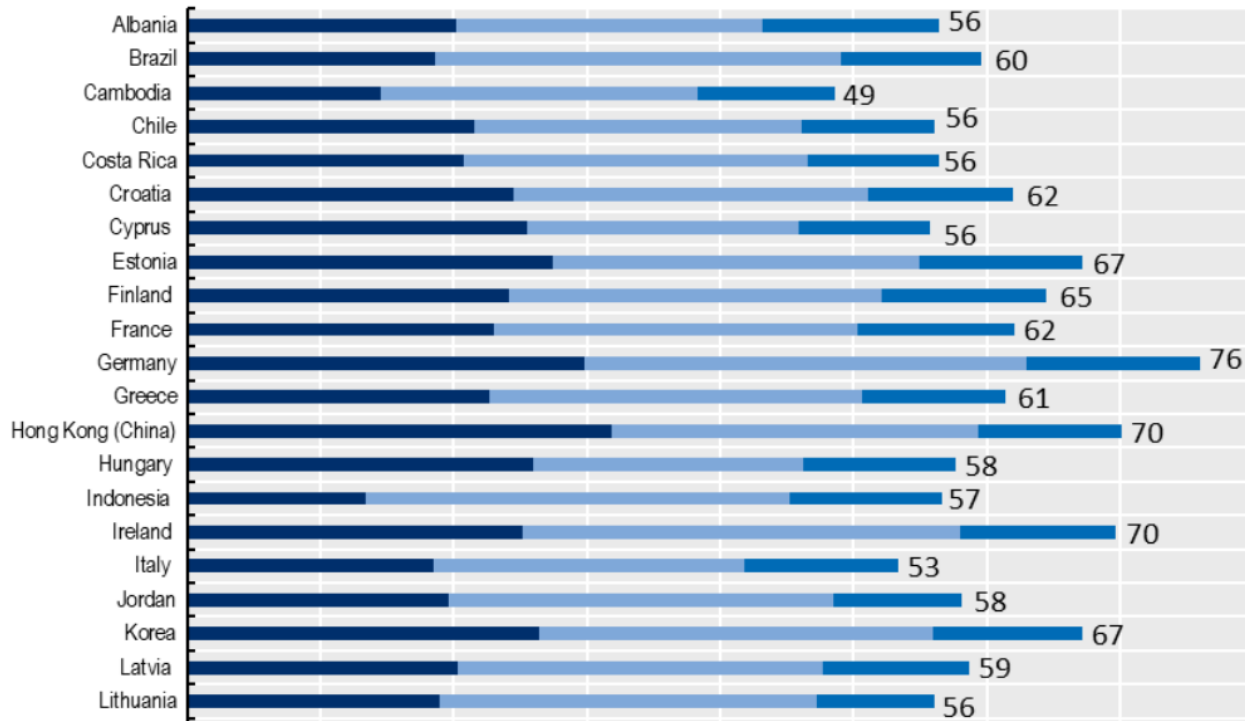
The average financial literacy score across all participating countries and economies is 60 out of 100 points (63 out of 100 across participating OECD countries).

Across many participating countries and economies, a majority of adults (63%) who hold any type of financial product do not score at the minimum target financial literacy score (at least 70 out of 100 points).



Overall Financial Literacy (score out of 100)

■ Financial Knowledge Score (out of 35) ■ Financial Behaviour Score (out of 45) ■ Financial Attitudes Score (out of 20)





Financial Knowledge

The average financial knowledge score across all participating countries and economies is 63 out of 100 points (67 out of 100 across participating OECD countries).

Across participating countries and economies, 84% of adults understand the definition of inflation, however, only 63% can apply the concept of time value of money to their own savings.

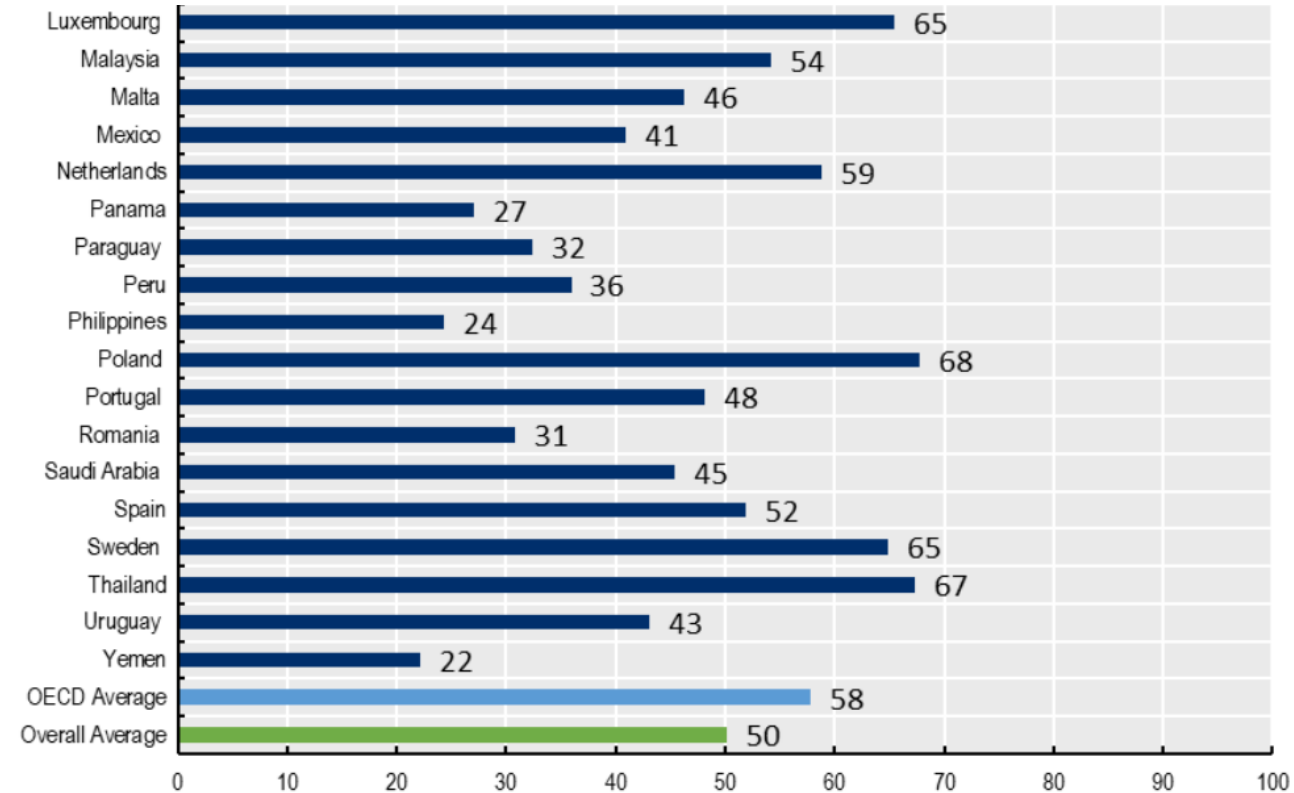
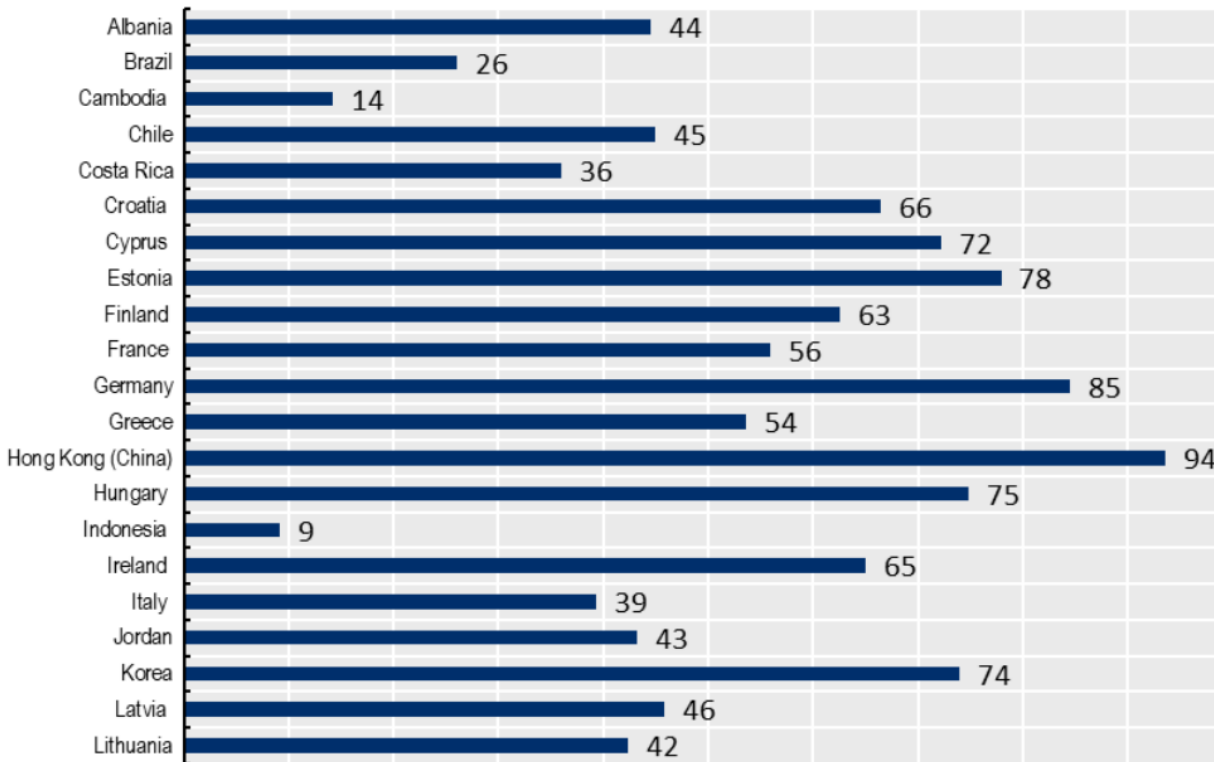
Furthermore, findings show that some 77% of adults understand the relationship between risk and reward, yet only 42% of adults can correctly answer a question about compound interest.

Even among adults who hold savings products across participating countries and economies, only 46% understand compound interest.



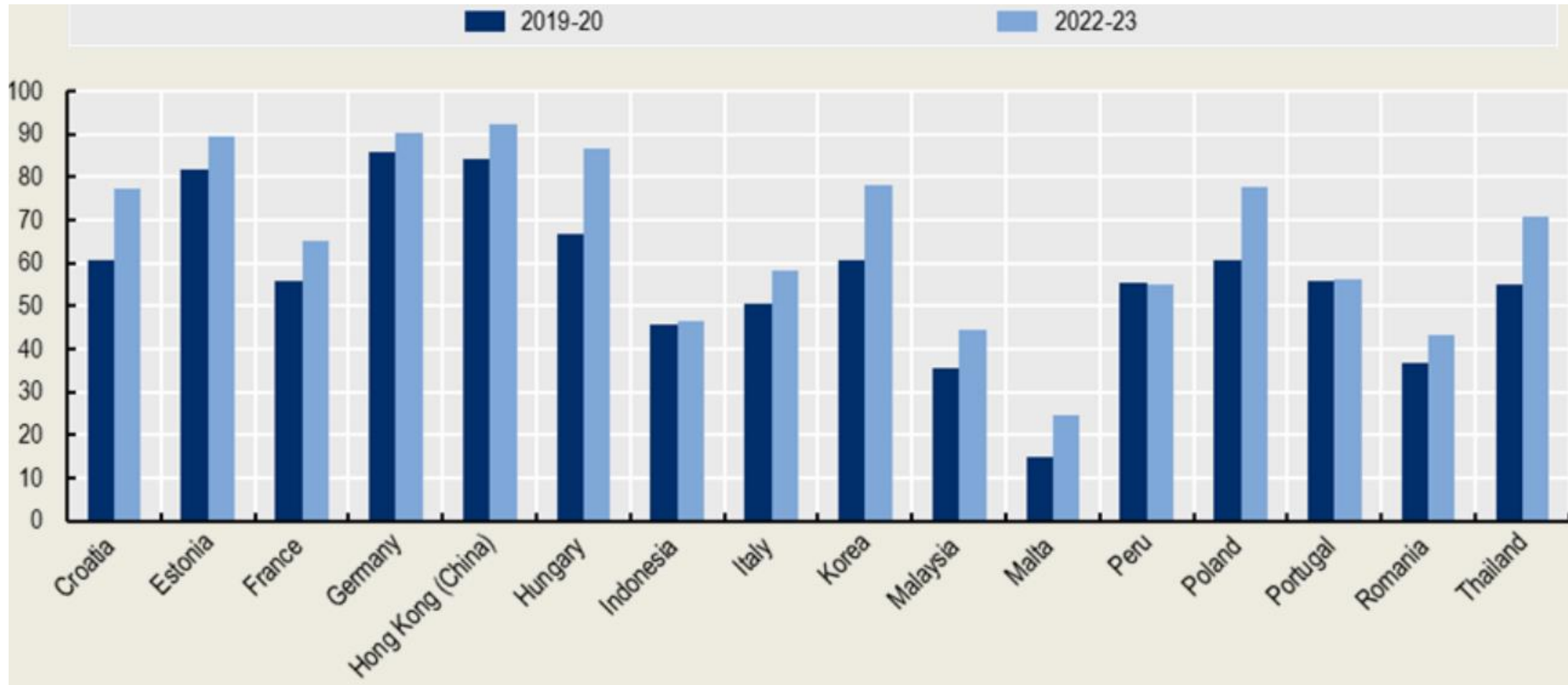
Minimum Target Financial Knowledge

Percentage of adults who obtained the minimum financial knowledge score (correctly answering at least five out of 7 financial knowledge questions). Malta's minimum financial knowledge score is defined as correctly answering three of the four financial knowledge questions included in its survey.





Changes in Financial Knowledge: Understanding of Inflation



Sources: 2020 and 2023 OECD/INFE Adult Financial Literacy Surveys



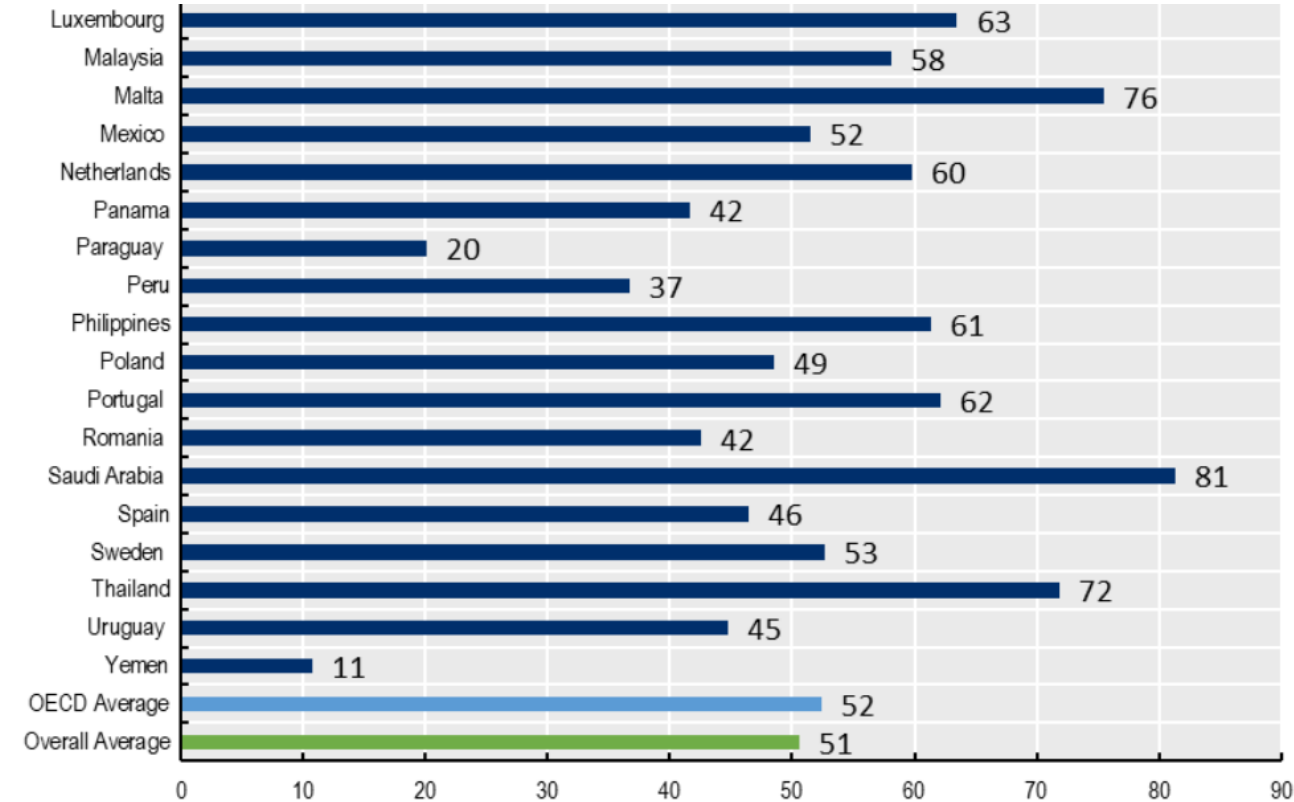
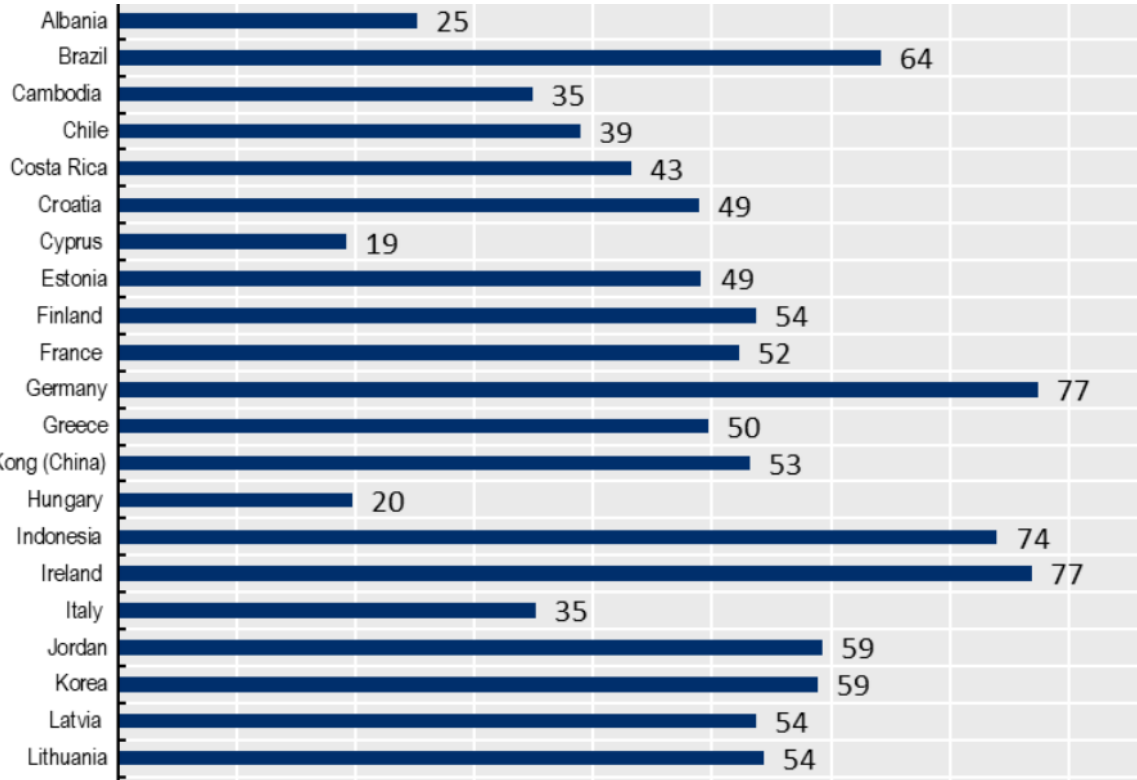
Financial Behaviour

The average financial behaviour score across all participating countries and economies is 61 out of 100 points (62 out of 100 across participating OECD countries).

Across participating countries and economies, 70% of adults report that they carefully consider if they can afford something before buying it. However, only 26% of adults compare financial products across providers and only 24% of adults seek advice from independent sources when purchasing financial products and services.



Minimum Target Financial Behaviour





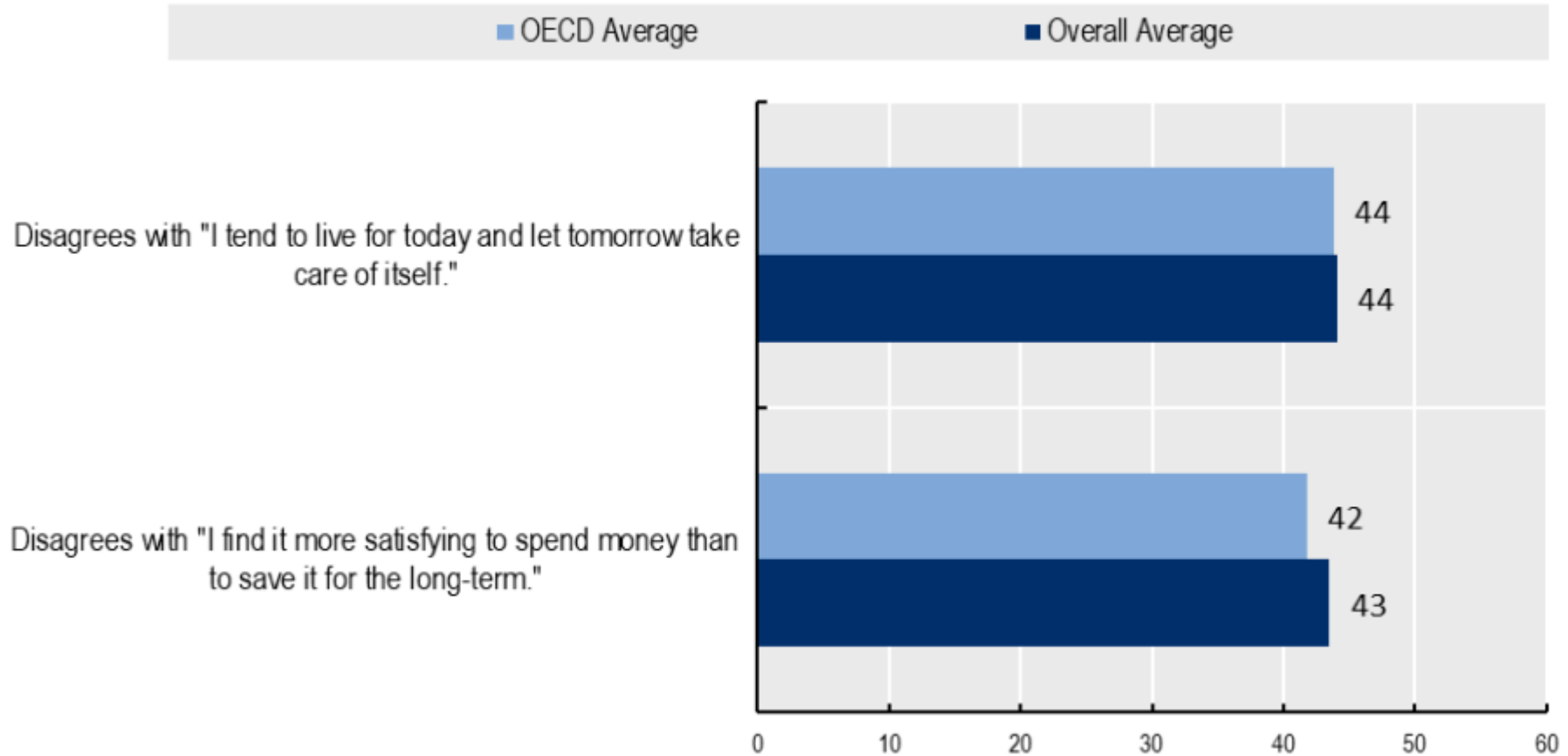
Financial Attitudes

The average financial attitude score across all participating countries and economies is 56 out of 100 points (58 out of 100 across participating OECD countries).

Adults who have attained a higher level of formal education, adults with higher incomes, as well as adults who are employed have higher levels of financial literacy in many participating countries and economies

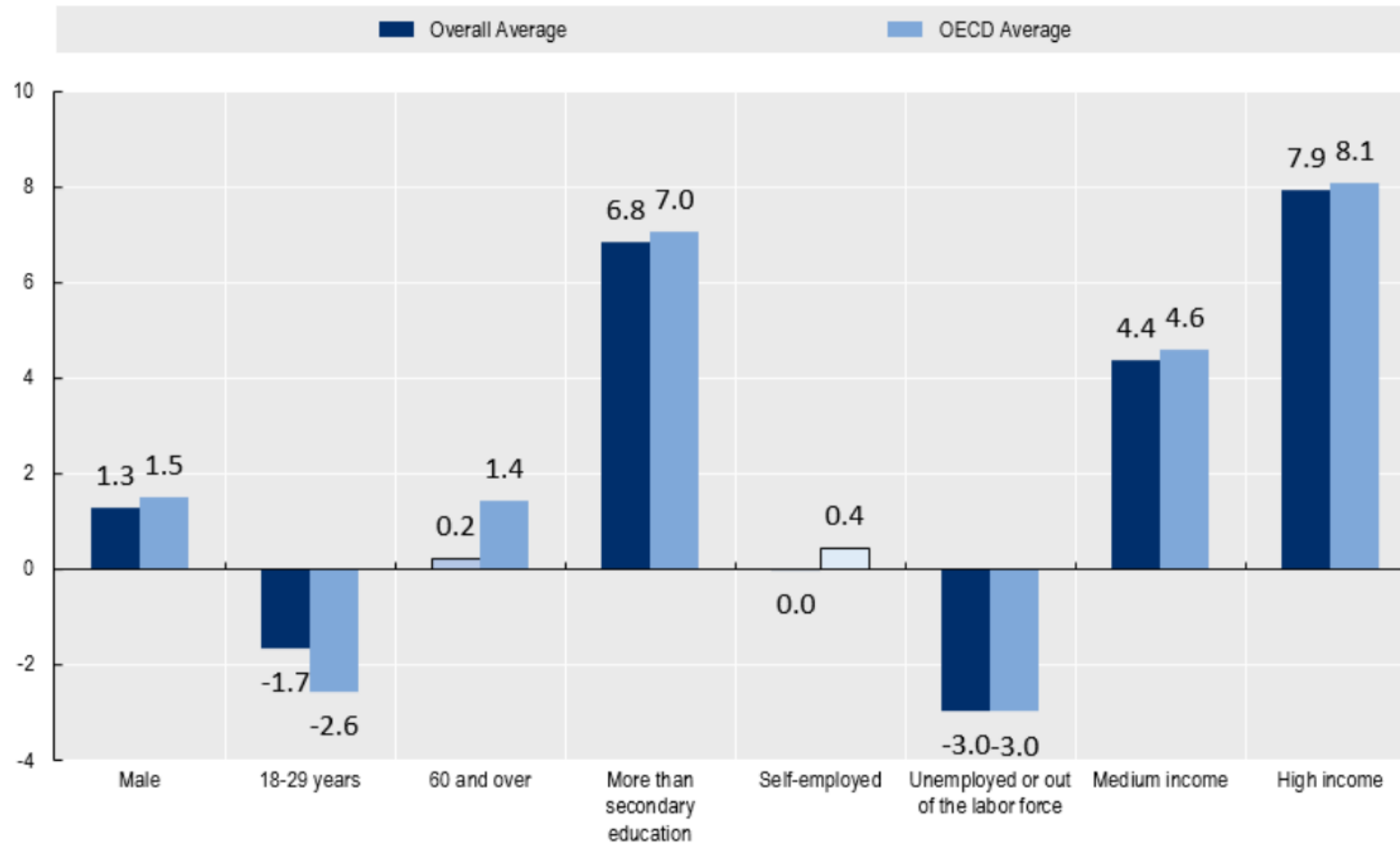


Percentage of Adults who Display Long-Term Financial Attitude





Financial Literacy across Socio-Economic Groups





Digital Financial Literacy Score

Key results

The average digital financial literacy score across all participating countries and economies is 53 out of 100 points (55 out of 100 across participating OECD countries).

Across all participating countries and economies, some 29% of adults score the minimum target digital financial literacy score (at least 70 points out of 100).

Across participating OECD countries, 34% of adults score the minimum target digital financial literacy score.

Digital financial literacy levels are higher among adults who have higher incomes and higher levels of education, compared to adults with lower incomes or lower levels of education.

On average across participating countries and economies, 38% of adults who manage financial products and services online score the minimum target digital financial literacy score (at least 70 out of 100 points).

Frauds and Scams

On average across participating countries and economies, 15% of adults reported that they have been a victim of at least one type of financial frauds or scams such as phishing scams, scams involving personal information, investment scams, and unauthorized or unrecognised transactions.

Across all participating countries and economies, around two out of three adults who have been a victim of one of these types of financial frauds or scams do not reach the minimum target financial literacy score.



Financial well-being: the concept

OECD/INFE 2022 Toolkit contains statements that can be used to determine a score for financial well being.

These were designed following:

- definition of financial well-being by the Consumer Financial Protection Bureau (CFPB) of the USA:
“a state wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow them to enjoy life”
- work by the OECD on an operational framework of financial well-being that includes:
“financial control, day-to-day financial life, long term financial planning”

Selected Financial Well-Being Statements

Because of my money situation, I feel like I will never have the things I want in life

I am just getting by financially

I am concerned that my money won't last

I have money left over at the end of the month

My finances control my life, etc.



Financial Well-Being: the Results

Across participating countries and economies, the average financial well-being score is 42 out of 100 points (47 out of 100 across participating OECD countries).

Financial well-being levels are significantly higher among adults with higher incomes compared to adults with lower incomes. On average across participating countries and economies, the score-point difference in financial well-being associated with income is 20 points (22 points on average across participating OECD countries).

Adults who reach the minimum target financial literacy score (at least 70 points out of 100) have higher levels of financial well-being by 10 score points, on average across participating countries and economies.



Financial Resilience

One important element of financial well-being is financial resilience. The ability to cope with negative financial shocks is a key component of financial resilience.

In many participating countries and economies, the percentage of adults who can cover living expenses for at least 3 months without their main source of income decreased from 2019-20 to 2022-23. This difference is most pronounced in Italy (16 % decrease) and Poland (11%). However, in eight 8 countries and economies, this percentage increased from 2019-20 to 2022-23. This difference is largest in Germany (19% increase) and Malaysia (13%).

The score on financial resilience is 46 out of 100 across participating countries and economies (52 for participating OECD countries).

Differences in the financial resilience score associated with income are even higher than those related to FWB: on average across participating countries and economies, high income adults have a financial resilience score that is 23 points higher than low-income adults (25 points on average across participating OECD countries).

Adults who display high levels of financial literacy also have, on average, higher levels of financial resilience (by 12 score points on average across participating countries and economies).



Lessons and Policy Messages

- **Financial literacy is low:** the overall average financial literacy score across all participating countries and economies is 60 points out of 100 points
- **Digital financial literacy:** 53 out of 100 points across participating countries and economies. May not be sufficient given opportunities/risks of DFS
- **Financial resilience is fragile** and results indicate that adults who reach the min target financial literacy also have significantly higher financial well-being and resilience levels.
- **Plenty to be gained from international cooperation, peer exchange and learning:** disparities between economies on all measures are large.

- ✓ *Continue to improve basic financial knowledge to support sound financial decisions in the current economic-financial context*
- ✓ *Strengthen behaviours and attitudes that are more likely to support financial resilience and well-being*
- ✓ *Improve knowledge, behaviour and skills to support the safe and responsible use of digital financial products and services*
- ✓ *Support people with the lowest financial literacy and well-being*
- ✓ *Continue to collect and analyse evidence on financial literacy, including with a focus on digital financial literacy, to make sure that financial literacy policies and programmes support individual financial well-being*



Way forward

Addressing global trends

- Financial education to support digital financial inclusion and the safe use of DFS
- Report on **Sustainable Finance**: Implications for Financial Consumers
- OECD/INFE Working Group on financial literacy and sustainable finance
- Consumer vulnerability and financial well-being



THANK YOU!

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