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PISA in Focus

Are Students Smart about Money?

Programme for International Student Assessment

OECD
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Are Students Smart about Money?

This May sees the release of the results from the third PISA assessment of financial literacy. These results are largely consistent with previous findings, but also go beyond earlier assessments in probing students' behaviours and attitudes towards money matters (including digital money matters) and their exposure to financial education at school.

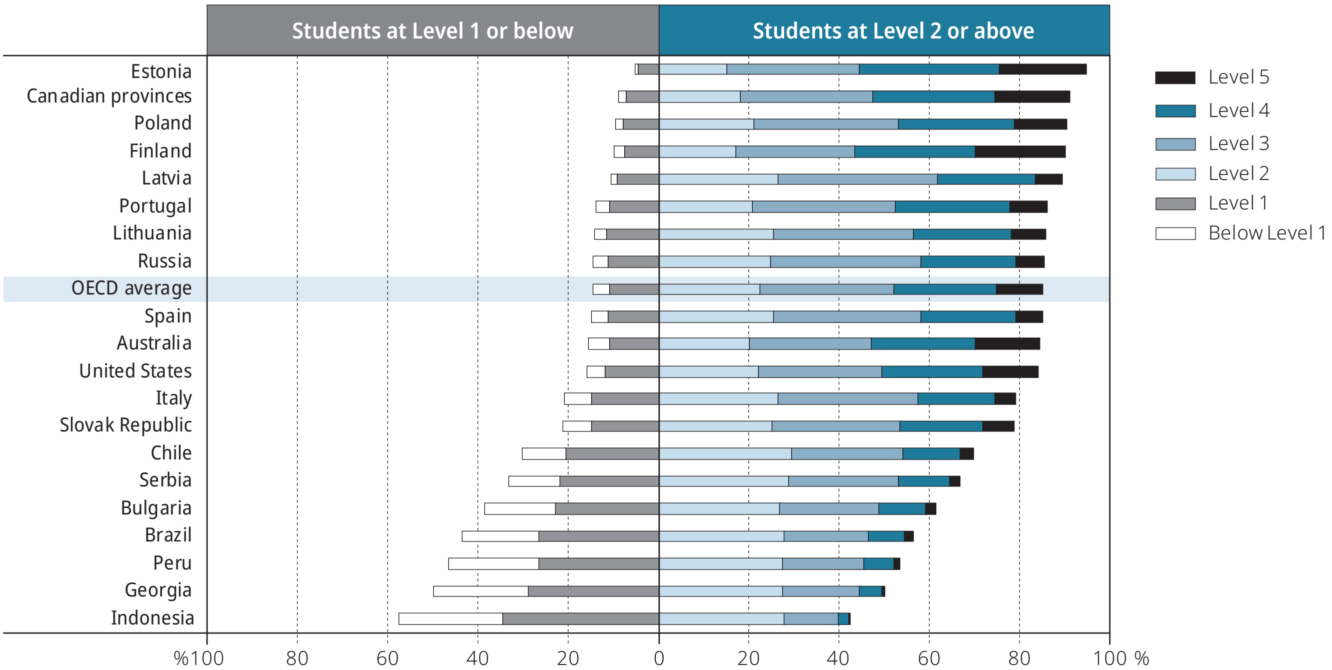
The Covid-19 crisis has lain bare the economic and financial uncertainty and precarity that many adults face; the 15-year-old students who sit the PISA assessment will soon leave compulsory education and must take this uncertainty into account as they take decisions about further education and career pathways. Proficiency in financial literacy will help students take responsible and well-informed decisions and set them up for financial resilience later in life. Policy makers are encouraged to use the findings and recommendations in this PISA in Focus to foster enhanced financial literacy and responsible financial inclusion.

What the data tell us

Student performance in financial literacy

- Thirteen OECD countries and economies and 7 partner countries participated in the PISA 2018 assessment of financial literacy. Some 117 000 15-year-old students sat the test, representing around 13.5 million students in these countries/economies.
- Average financial literacy performance in Estonia was higher than that in every other participating country/economy. Mean scores in Finland, the participating Canadian provinces (British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario and Prince Edward Island), Poland and Australia, in descending order of mean performance, were above the OECD average.
- Some 10% of students, on average across OECD countries/economies, attained the highest level of proficiency, Level 5, and were thus top performers. These students were able to analyse complex financial products, take into account features of financial documents that are not immediately obvious, and demonstrate an understanding of the wider financial landscape.
- On average across OECD countries/economies, 15% of students were low performers in financial literacy, scoring at or below Level 1. More than one in three students were low achievers in Brazil, Bulgaria, Georgia, Indonesia and Peru. These students could, at best, recognise the difference between needs and wants, make simple decisions about everyday spending, and recognise the purpose of everyday financial documents, such as invoices.
- Roughly 20% of the variation in financial literacy scores reflected factors that were unique to the financial literacy assessment, on average across OECD countries/economies. The other 80% of the variation reflected skills that were also measured in the mathematics and/or reading assessments.
- In Australia, Brazil, the participating Canadian provinces, Chile, Estonia, Finland, Lithuania and the United States, students performed better in financial literacy than the average student in other participating countries who scored similarly in mathematics and reading. In contrast, students in Bulgaria, Georgia, Indonesia, Italy, Peru, Poland, Serbia and the Slovak Republic performed worse than expected in financial literacy, based on their performance in mathematics and reading.

Figure 1: Percentage of students at each level of proficiency in financial literacy



Countries and economies are ranked in descending order of the percentage of students who performed at or above Level 2.
Source: OECD, PISA 2018 Database, Table IV.B1.2.4

How performance in financial literacy varies within countries and across student characteristics

• Boys scored a small but significant 2 points higher than girls in the PISA 2018 financial literacy assessment, on average across OECD countries and economies. However, boys were over-represented at both ends of the performance distribution. Boys outperformed girls in Italy, Peru and Poland, but girls outperformed boys in Bulgaria, Georgia and Indonesia. After accounting for performance in mathematics and reading, boys outperformed girls by 10 points.

• Advantaged students scored 78 points – or roughly one proficiency level – higher than disadvantaged students, on average across OECD countries/economies. This gap related to socio-economic status was particularly large (at least 100 score points) in Bulgaria, Peru and the Slovak Republic, while it was particularly small (at most 60 score points) in Estonia, Indonesia and Latvia.

• On average amongst OECD countries and economies where at least 5% of students had an immigrant background, students with an immigrant background scored 26 points lower than students without an immigrant background, after accounting for students' socio-economic status.

How students learn about money

• Some 94% of students reported obtaining information about money matters from their parents, on average across OECD countries/economies. Students who reported getting such information from their parents scored 27 points higher in the financial literacy assessment than students who did not so report, on average across OECD countries and economies and after accounting for student characteristics (gender, socio-economic status and immigrant background).

• Parents in Brazil, Bulgaria, Lithuania and Serbia were amongst the most involved in developing their children's financial literacy. On average across OECD countries/economies, 87% of students reported talking to their parents at least once a month about money for things they wanted to buy, and roughly 3 in 4 students reported talking to their parents at least once a month about their own spending and saving decisions.

• Students in Australia, Finland, Indonesia and the Russian Federation reported the greatest exposure to financial literacy tasks in school lessons. Disadvantaged students and students attending disadvantaged schools reported greater exposure to financial literacy tasks at school than their advantaged peers, on average across OECD countries and economies.

• Some 16% of students reported using a textbook that deals specifically with money matters, and 32% of students reported having a textbook on a different subject that discusses money matters.

Students' experience with money

• On average across OECD countries/economies, 54% of students reported that they hold an account at a financial institution such as a bank. Almost 90% of students in Finland reported that they hold such an account, as did over 60% of students in Australia and the Canadian provinces. However, only 12% of students in Peru and less than 25% of students in Georgia and Serbia reported likewise.

• Some 45% of students reported that they hold a payment or debit card, on average across OECD countries/economies. Over 75% of students in Estonia and Finland reported holding such a card, while fewer than 20% of students in Brazil, Peru, Serbia and Spain so reported.

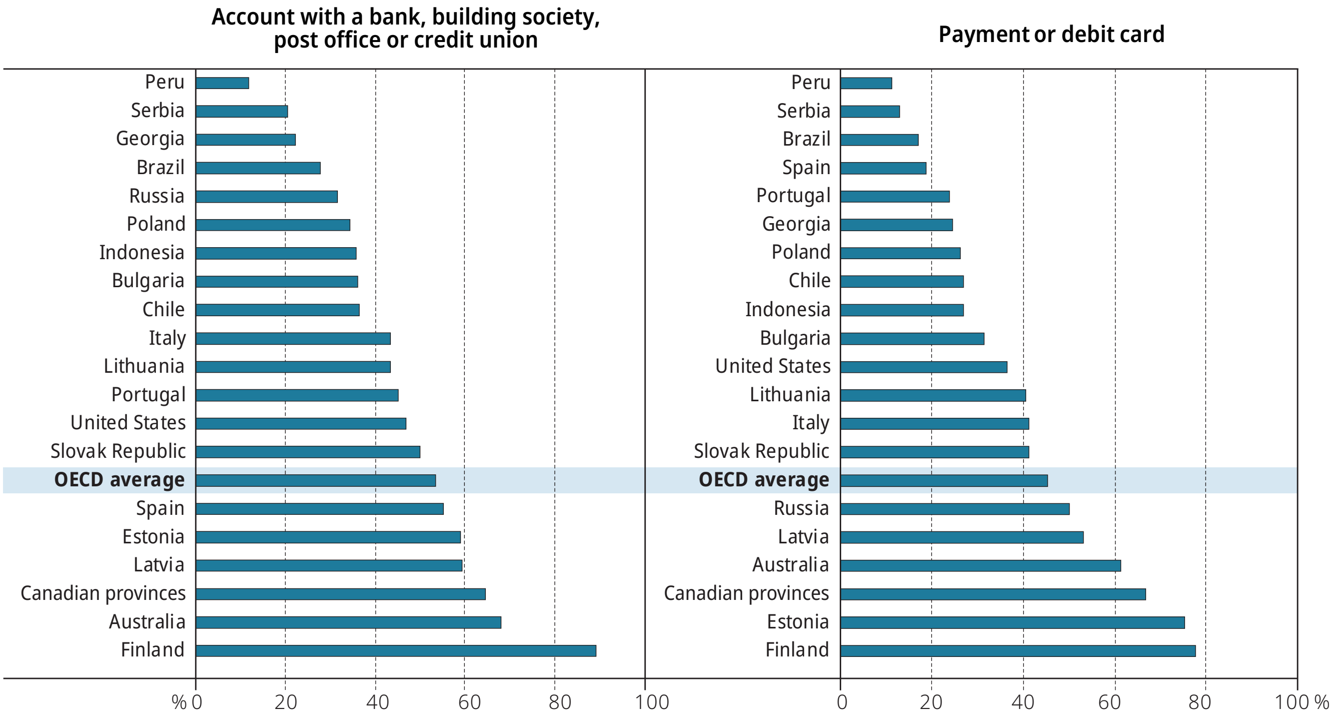
• On average across OECD countries/economies, after accounting for student characteristics, students who held an account at a financial institution scored 18 points higher than students who did not hold an account or did not know what an account was; and students who held a payment or debit card scored 11 points higher than students who did not hold such a card or did not know what such a card was.

• Roughly four in five students, on average across OECD countries/economies, reported that they could decide independently what to spend their money on.

• Some 73% of students reported that they had bought something on line (either alone or with a family member) during the 12 months prior to the PISA assessment, and 39% of students reported that they had made a payment using a mobile phone during that period, on average across OECD countries/economies. Boys were more likely than girls, and advantaged students were more likely than disadvantaged students, to have engaged in these online financial activities.

Figure 2: Students holding basic financial products

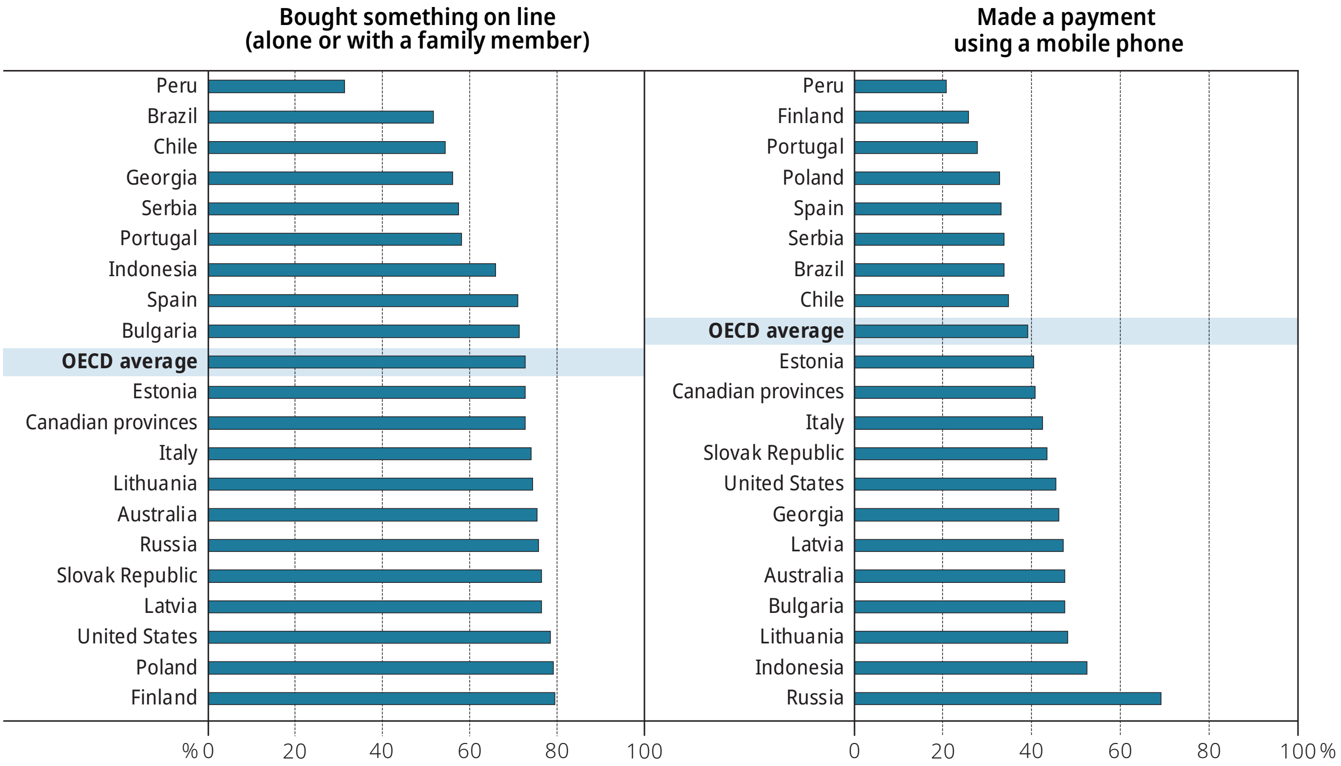
Percentage of students who reported holding one of these financial products



Countries and economies are ranked in ascending order of the percentage of students who reported holding each financial product.
Source: OECD, PISA 2018 Database, Table IV.B1.6.1.

Figure 3: Students with experience with online financial transactions

Percentage of students who reported that they had performed the following activities over the previous 12 months



Countries and economies are ranked in ascending order of the percentage of students who reported that they had engaged in each activity over the previous 12 months.
Source: OECD, PISA 2018 Database, Table IV.B1.6.9

Students' money-related behaviour and attitudes

• Roughly two in three students, on average across OECD countries/economies, reported that they feel confident in paying with a debit card instead of using cash and in keeping track of their balance on line. Students in Australia, the Canadian provinces and Lithuania reported the greatest confidence in using digital financial services, while students in Serbia reported the least confidence.

• On average across OECD countries/economies, 52% of students agreed that they enjoy talking about money matters, but 37% of students agreed that money matters are not relevant for them right now. Boys were 12% more likely than girls to agree that they enjoy talking about money matters.

• Confidence in using digital financial services was associated with stronger financial literacy performance. Exposure to financial education in school lessons and parental involvement in financial education were both associated with greater confidence in using digital financial services and with enjoyment in talking about money matters.

• Just over three in four students, on average across OECD countries/economies, reported that they sometimes or always compare prices in different shops when thinking about buying something using their allowance

• In every participating country/economy, students who compared prices in different shops scored at least 29 points higher in the financial literacy assessment than students who did not report doing so.

Socio-economic inequalities should be tackled early before they are exacerbated later in life

Financial literacy is relevant not just for those who have large sums of money to invest. Everyone needs to be financially literate, especially those who live on tight budgets and have little margin for error in case they make financial mistakes or experience external shocks; this has become especially evident during the Covid-19 crisis.

While disadvantaged students are amongst the least financially literate, they might be most in need of certain types of financial knowledge and skills. For example, disadvantaged students were significantly less likely than their advantaged peers to engage in responsible spending behaviours, such as comparing prices and waiting until a product becomes cheaper before they buy it. If socio-economic disparities in skills and behaviours are not addressed early, they are likely to lead to even larger gaps in financial literacy and resilience as students become adults.

Nine of the 20 participating countries/economies recognised the need for this type of support. In these countries/economies, students in disadvantaged schools were more likely than their peers in advantaged schools to report that they are exposed to financial education in school lessons. In these countries/economies, students in disadvantaged schools were more likely than those in advantaged schools to explore ways to pay for something or to know the difference between needs and wants. They were also more likely to report that, in school, they discuss the rights of consumers when dealing with financial institutions or how money invested in the stock market changes value over time.

Support both access to and education about safe and age-appropriate (digital) financial products

Inclusion in the financial system at an early age bodes well for financial inclusion later in life, which in turn underpins a wide range of activities necessary for being a confident and empowered citizen. This remains a challenge in some countries, such as Brazil, Peru and Serbia, where access to a basic account or payment instrument amongst 15-year-old students remains low. However, most countries/economies that have participated in multiple PISA financial literacy assessments have made strides in improving access to basic financial services for 15-year-olds in just three or six years. In the Slovak Republic, for instance, almost twice as many students held an account at a financial institution in 2018 (50%) compared to 2012 (25%).

Digital financial transactions have become an essential and established component of everyday financial transactions. However, on average across OECD countries/economies, one in three students was not confident using electronic devices to keep track of their balance or paying with a debit card instead of using cash; and roughly one in two students was not confident using electronic devices to transfer money or ensuring the safety of sensitive information when making an electronic payment or using online banking.

Online and digital financial products carry new risks, such as concerns about security and privacy, and the rapid access to credit products with hidden and potentially dangerous conditions. A lack of experience with financial services can make young people, especially those with low levels of financial literacy, more likely to be victims of scams; indeed, scams may deliberately target young people. For safe and age-sensitive digital financial inclusion, young people should be made aware of the risks in engaging in digital financial transactions, and be empowered with appropriate digital and financial skills, so that they can engage in digital financial transactions confidently and securely.

More generally, financial inclusion should be promoted within a sound financial consumer-protection framework and individuals must be equipped with sufficient financial skills to use financial products safely.

Parents and schools both have a role to play in improving students' financial literacy

All parents have a role to play in developing their child's financial literacy, not only through the resources that parents make available to their child but also through direct engagement. Parents are arguably the most important influence on young people's values, attitudes, habits, norms, knowledge and behaviours about money and finance.

Given their importance in their child's financial education, parents too need to be financially literate, and be able to transmit accurate and appropriate information. Countries should continue to strengthen their initiatives targeting adults through national strategies for financial education. Targeting adults with low levels of financial literacy and disadvantaged adults can help reduce inequalities amongst those adults today, and through this transmission pathway, may contribute to reducing inequalities in the next generation.

Schools can be an effective channel for providing financial education. Results from PISA 2018 indicate that there is a positive correlation between financial literacy performance and students' exposure to money and finance-related terms. However, the correlations between financial literacy performance and other aspects of delivering financial education in schools was less conclusive. Evaluations of financial education programmes, which are already being conducted in many jurisdictions, will provide useful information to policy makers as they continue to adjust and improve their national strategies. The ultimate goal of all of these programmes must be ensuring that students receive the information and support they need to make responsible and appropriate financial decisions confidently, both now and in their adult lives.

For more information

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See: OECD (2020), *PISA 2018 Results (Volume IV): Are Students Smart about Money?*, PISA, OECD Publishing, Paris, https://doi.org/10.1787/48ebd1ba-en