



Launch of the OECD/INFE 2020 International Survey of Adult Financial Literacy

25 June 2020





OECD/INFE 2020 INTERNATIONAL SURVEY OF ADULT FINANCIAL LITERACY



Virtual Launch Event, 25 June 2020



Contents

- The survey: participating countries and OECD/INFE methodology
- Financial literacy and its components: *knowledge, behaviour, attitude*
- Use of finance: Financial inclusion
- Outcomes of financial education: financial resilience and financial well-being
- Potential vulnerable groups: differences by gender, age, digital use, and resilience
- Lessons and policy messages



Participating countries

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

- 26 countries and economies (of them 12 OECD Member countries), drawn from Asia, Europe, and Latin America
- In total, 125,787 adults were interviewed, aged 18 and over
- Sample sizes range from 1,000 to 84,000.





OECD/INFE Methodology

Methodology follows the updated
OECD/INFE 2018 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

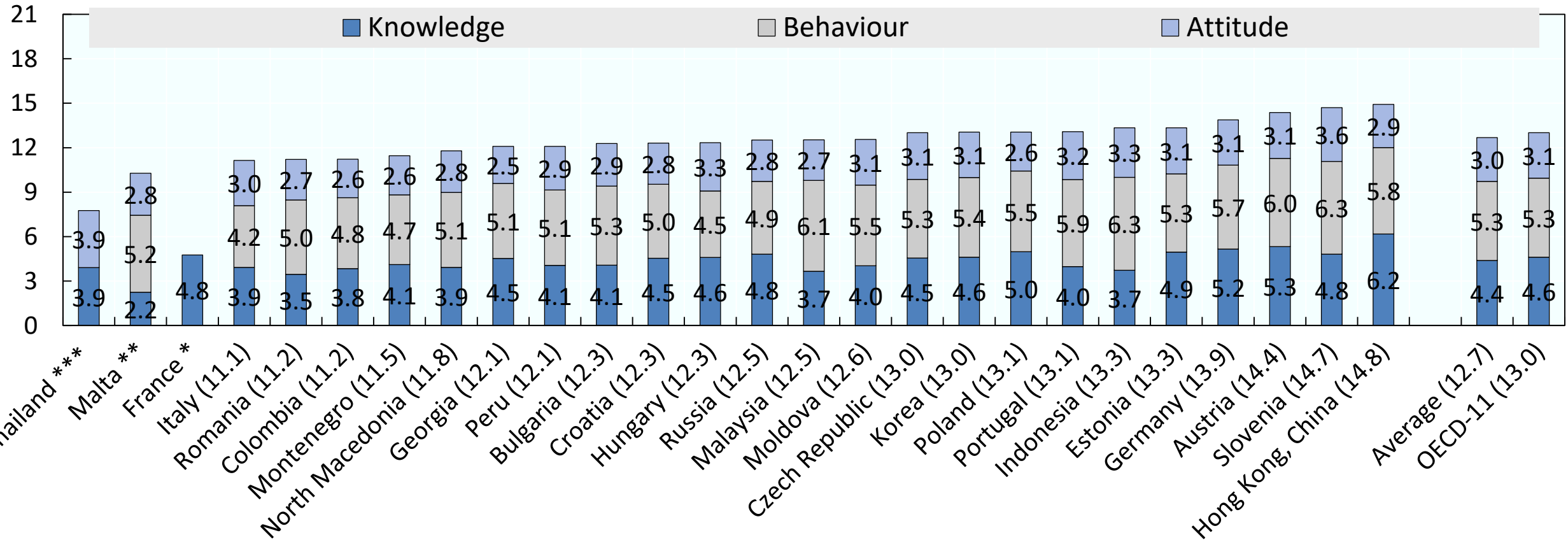
Availability of savings, experience of stress, prudence in planning and budgeting

Financial Well-being

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



Financial Literacy and its components (1): Financial Literacy Score

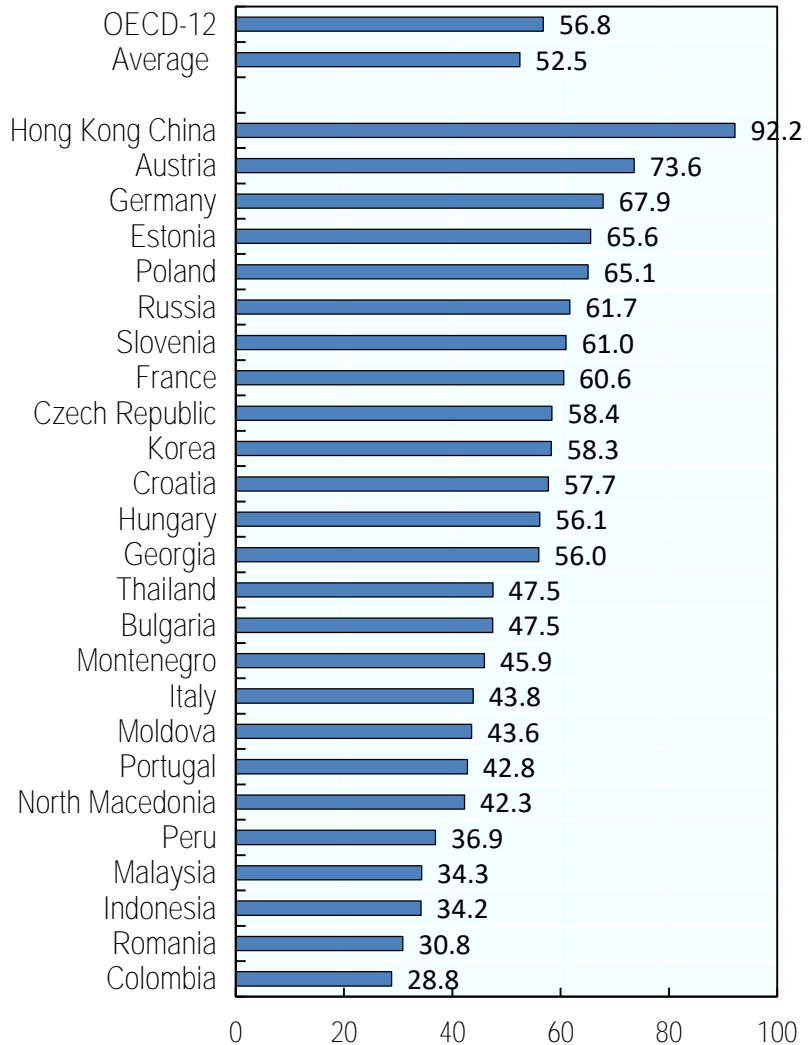


The average score across all participating countries and economies is just 12.7 out of a possible 21, and 13.0 for OECD Members only. These scores represent 60.5% for the total sample and 62.0% for the OECD participants from the maximum possible.



Financial Literacy and its components (2): Financial Knowledge

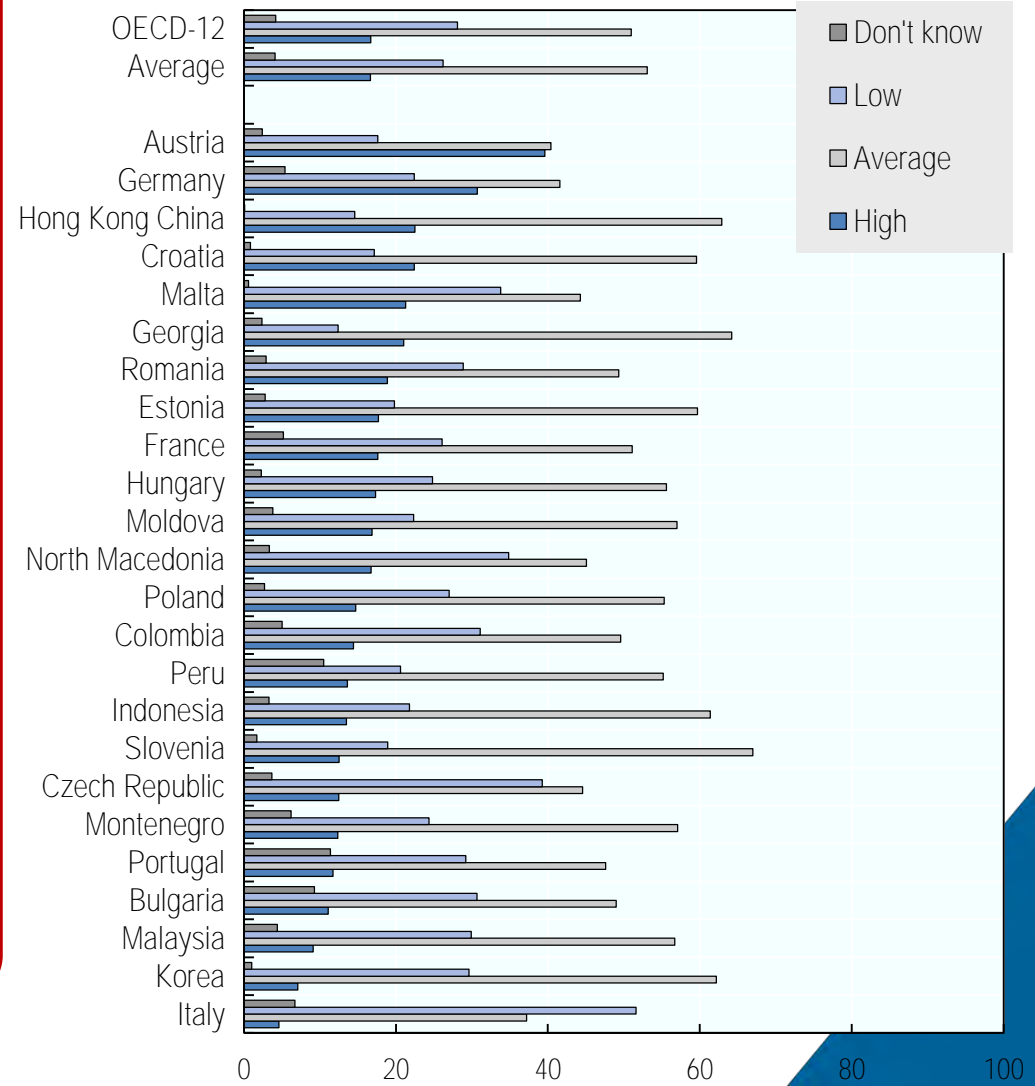
Percentage of adults scoring 5 or more (out of 7)



Just 50% of respondents were able to answer 5 or more knowledge questions correctly

Only 17% of adults consider their knowledge high; 53% - average; and 26% low.

Percentages of respondents self-assessing their financial knowledge

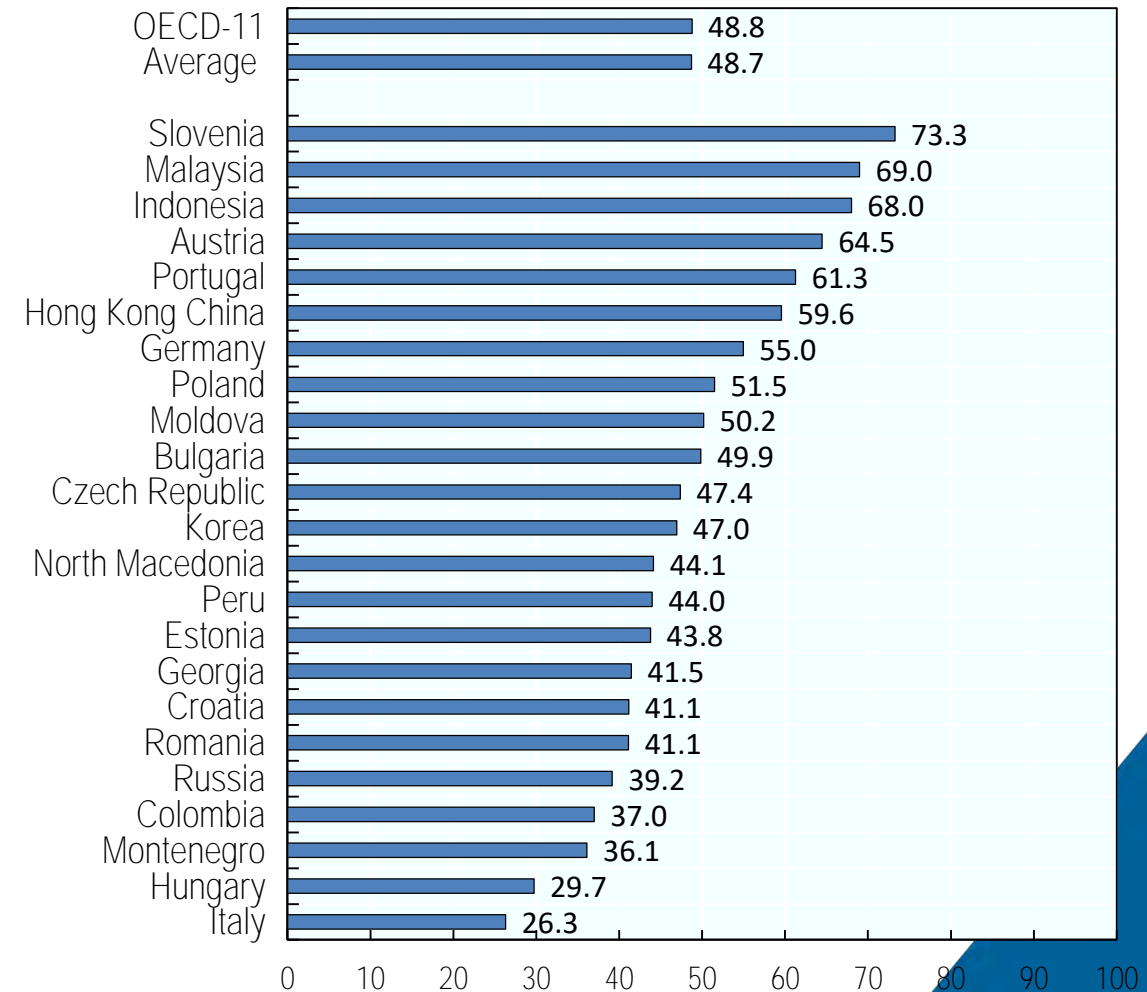




Financial Literacy and its components (3): Financial Behaviour

- Behaviour score is a derived measure of prudent, long term, savings-oriented behaviours towards money
- On average, half the adults in the sample were able to achieve the minimum target score of 6 or more (49%)
- There was very large dispersion in the percentage of adults achieving the minimum score among countries.
 - Over 73% of adults in Slovenia scored 6 or above in financial behaviour, while only 26% in Italy, 30% in Hungary; and between 30%-40% in Montenegro, Colombia, Russia.

Minimum target score on financial behaviour: % respondents who achieved 6 or above (out of 9)

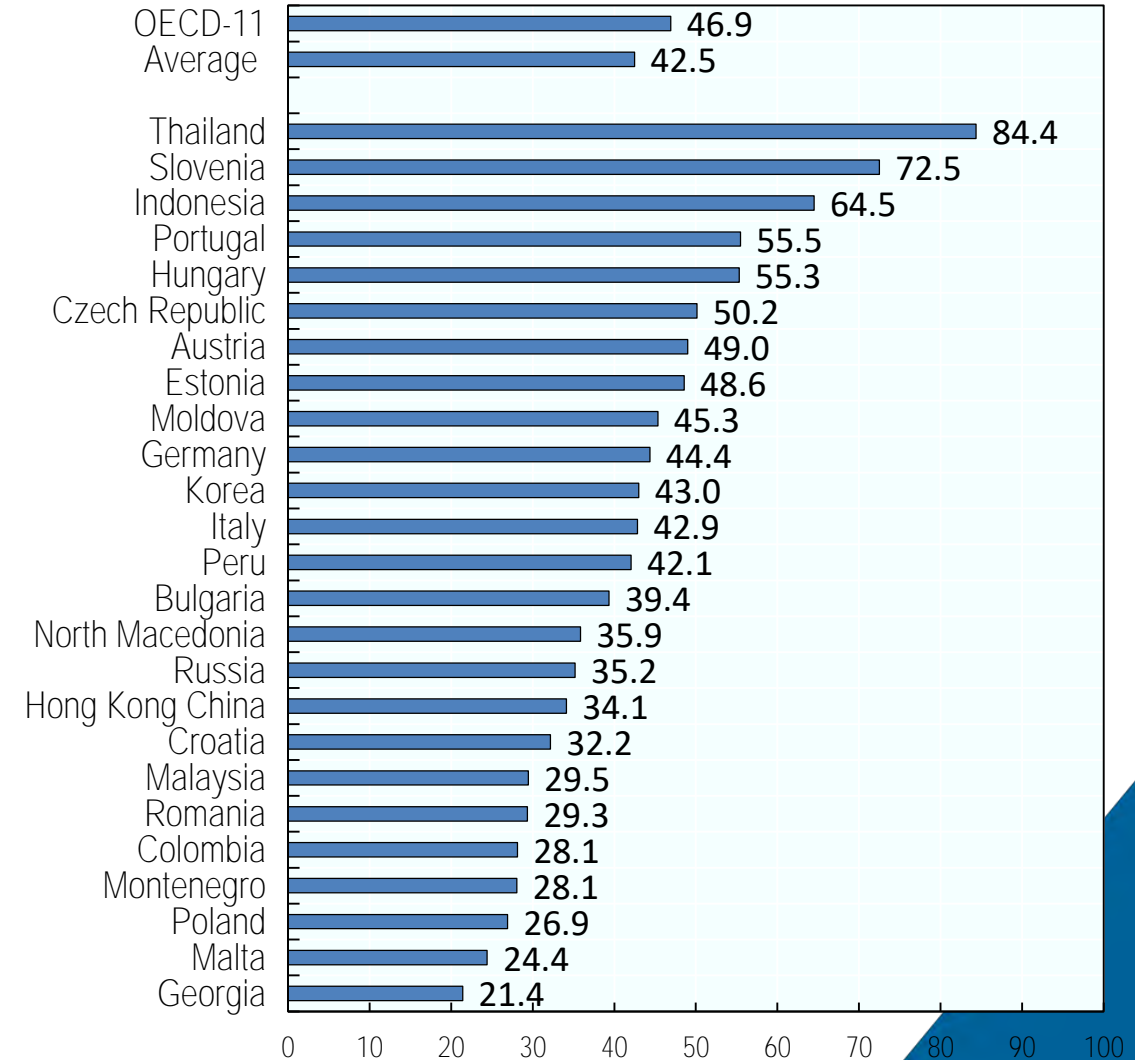




Financial Literacy and its components (4): Financial Attitude

- The OECD/INFE financial literacy toolkit aims to **gauge respondents' attitudes towards money and planning for the future.**
 - A higher score is given to those respondents that exhibit more positive attitudes towards the long term and towards saving.
- Only 43% of adults were able to achieve the minimum target score of over 3 (out of 5).
- The highest scores were achieved by adults in Thailand (3.9) and Slovenia (3.6), while the lowest – Georgia (2.5) and Colombia / Poland / Montenegro (all with 2.6).

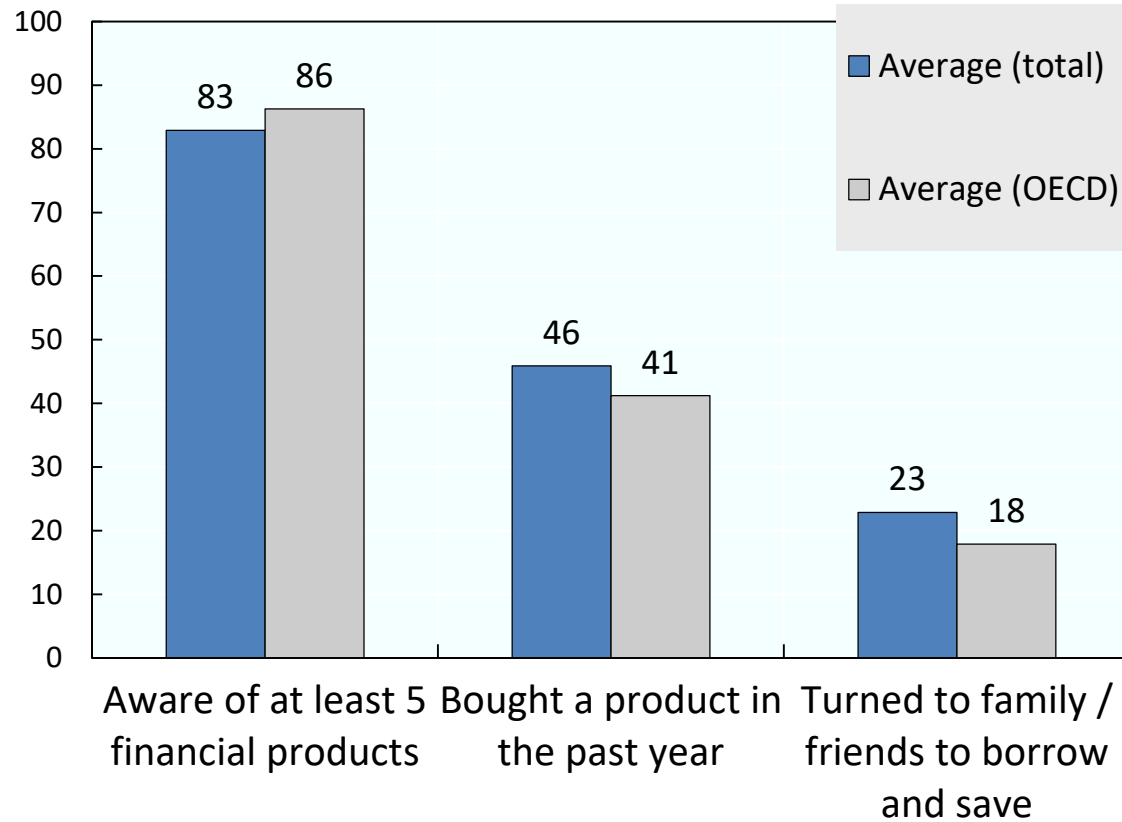
Minimum target attitude score : % respondents who achieved more than 3 (out of 5)



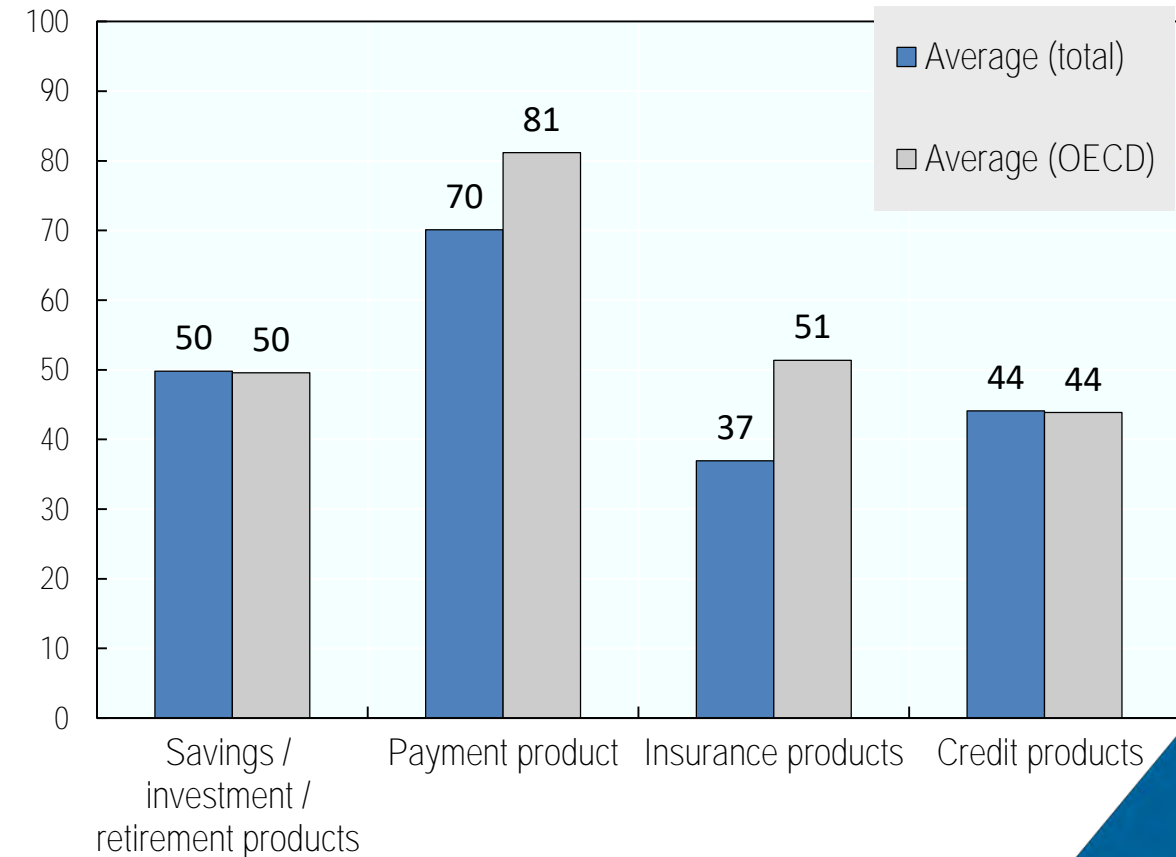


Use of finance: Financial Inclusion

Product use (% respondents)



Types of products use (% respondents)





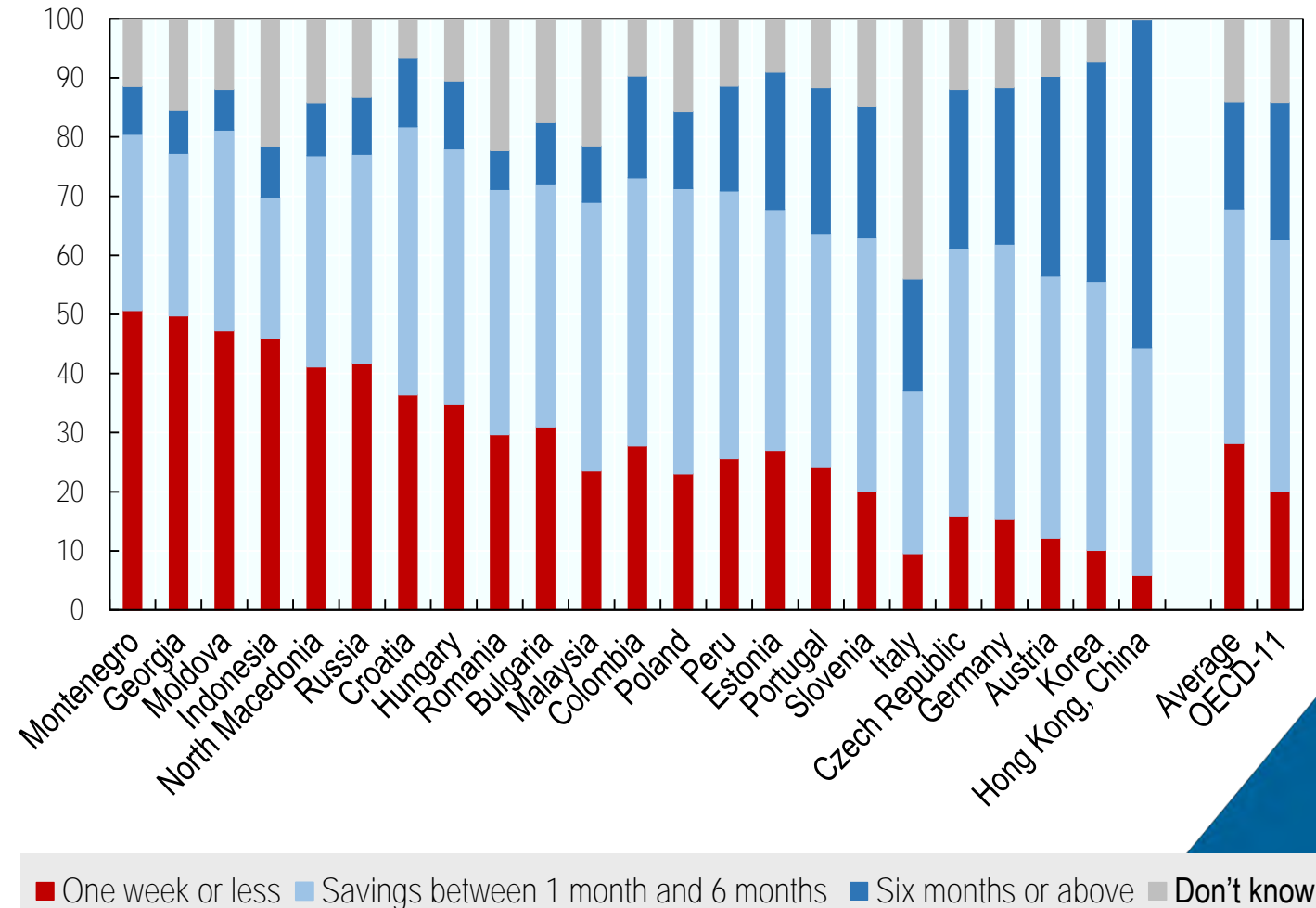
Financial Resilience and its components

Six areas of investigation of the OECD/INFE Toolkit help us gauge individual financial resilience:

- *Keeping control over money*
- *Taking care with expenditure*
- *Availability of financial cushion*
- *Coping with a financial shortfall*
- *Planning individual finances*
- *Fraud awareness*

Financial resilience needs boosting in different ways across different countries, as significant groups across the sample have no cushion, fall victims to fraud, or have troubles planning and keeping control over expenditure

Differences in available financial cushion of savings (% respondents who reported available savings if their income suddenly stops)





Financial well-being: the concept

OECD/INFE 2018 Toolkit contains statements that can be used to determine a score for financial well being.

These were designed following:

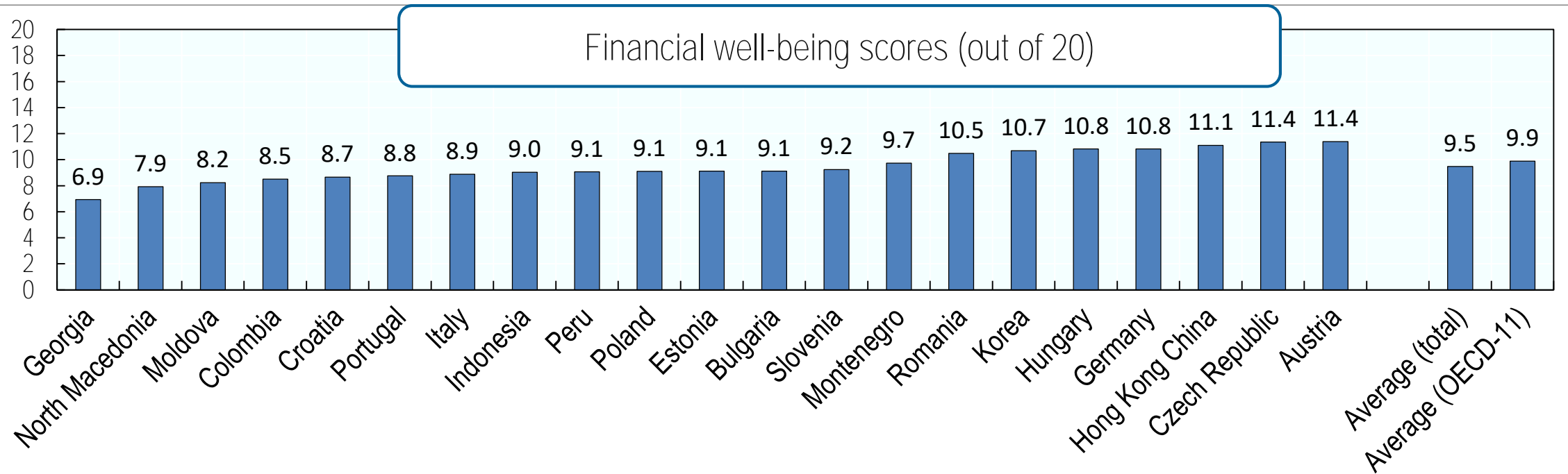
- definition of financial well-being by the Consumer Financial Protection Bureau (CFPB) of the USA:
“a state wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow them to enjoy life”
- work by the OECD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

Financial well-being statements

Because of my money situation, I feel like I will never have the things I want in life	Question QS3_3	Scoring is from 0 (complete agreement) to 4 (complete disagreement)
I am just getting by financially	Question QS3_10	Scoring is from 0 (complete agreement) to 4 (complete disagreement)
I am concerned that my money won't last	Question QS3_9	Scoring is from 0 (complete agreement) to 4 (complete disagreement)
I have money left over at the end of the month	Question QS2_4	Reverse coded, Scoring is from 4 (complete agreement) to 0 (complete disagreement)
My finances control my life	Question QS2_2	Scoring is from 0 (complete agreement) to 4 (complete disagreement)



Financial well-being: the results



- The average score of all the participants is 9.5 (or 47.4% of the max); the average of OECD Members slightly higher at 9.9 (or 49.4%).
- This suggests that on average the surveyed individuals do not consider their financial situation to contribute positively to their well-being, but rather to add stress and worry.
- A score below the average means that respondents are more insecure over control of their finances, feel less confident about their ability to absorb financial shocks in the future, are more inclined to agree that their finances restrict their life choices and they are ultimately lagging behind their long-term financial plans.
- There is plenty of room for improvement.



Differences across groups

Gender

- OECD (2005) work has suggested disparities between men and women are important
 - Men appear to have statistically greater financial knowledge and financial well-being scores.
-

Age

- Young people (aged 18-29) have lower financial literacy, as well as knowledge/behavior/attitude scores.
 - Middle aged (aged 30-59) have higher scores in financial literacy and its elements, as well as financial well-being
 - Seniors (aged 60 and above) have lower financial literacy and financial well-being across almost all economies
-

Digital use

- Respondents who used digital devices or services have consistently and significantly, higher financial literacy, knowledge, behaviour, and well-being scores.
-

Financial Resilience

- Individuals who report availability of savings of more than three months have consistently and significantly higher scores across the board – across all economies and each of the financial scores.
- 



Lessons and policy messages

- **Financial literacy is low:** Individuals on average scored only 60% of the maximum financial literacy score.
- **Financial well-being is below average:** This suggests that on average the surveyed individuals do not consider their financial situation to contribute positively to their well-being, but rather to add stress and worry..
- **Financial resilience is fragile:** one-third of adults report only having a financial cushion of about one week, if they lose their main income.
- **Plenty to be gained from international cooperation, peer exchange and learning:** Disparities between economies on all measures are large

The COVID-19 crisis is a severe test on individual financial resilience BUT ALSO an opportunity to re-focus on the essential elements of financial literacy.

The length and severity of the crisis warrant urgent action on financial education and advice

The abnormal situation is a good teachable moment

The heightened use of digital tools and informational awareness can be used to promote educational content.

Thank you

Link to the report:

<http://www.oecd.org/financial/education/>

Link to the OECD/INFE 2018 Toolkit:

<http://www.oecd.org/finance/financial-education/measuringfinancialliteracy.htm>

OECD/INFE 2020 International Survey of Adult Financial Literacy The Italian experience

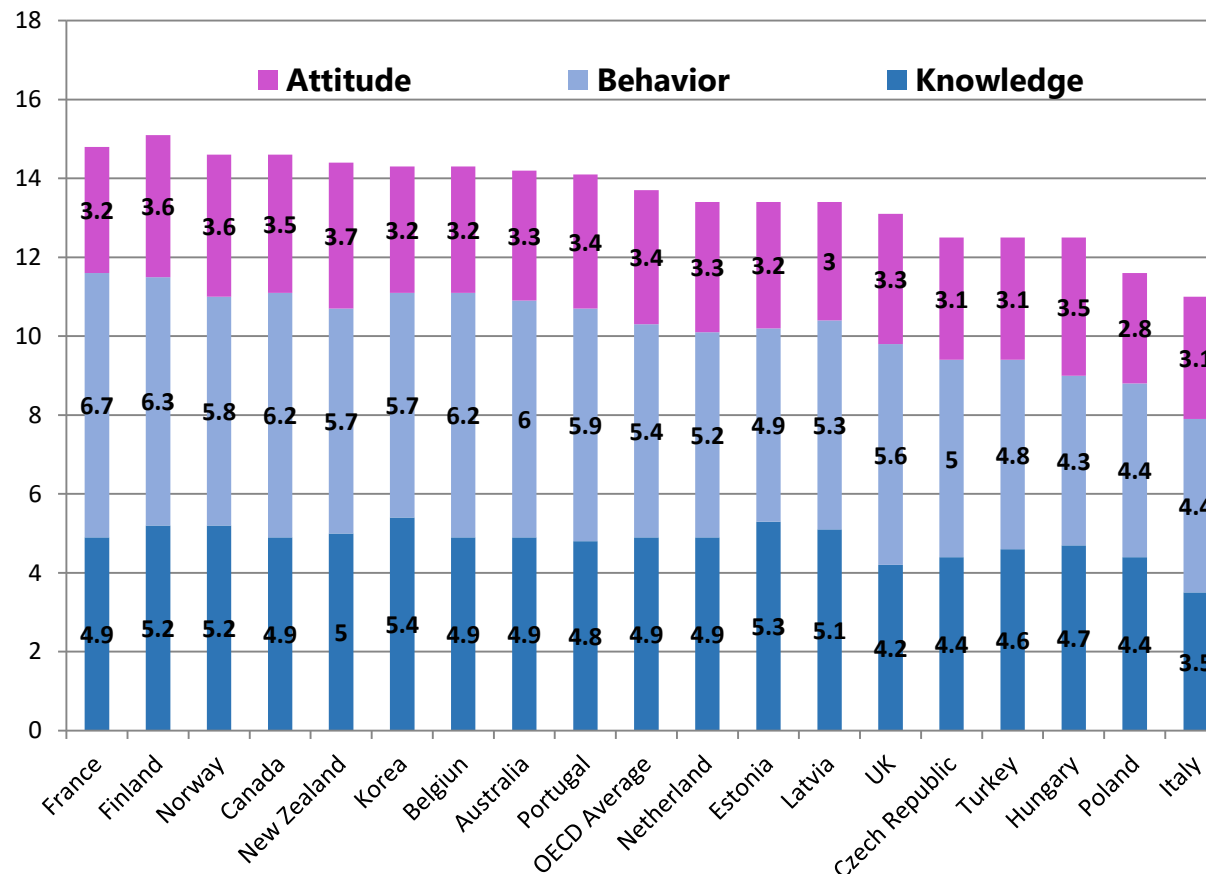
Magda Bianco – Head of Consumer Protection and
Financial Education Department
Bank of Italy

25 June 2020
WEBINAR



Our analysis of 2017 wave

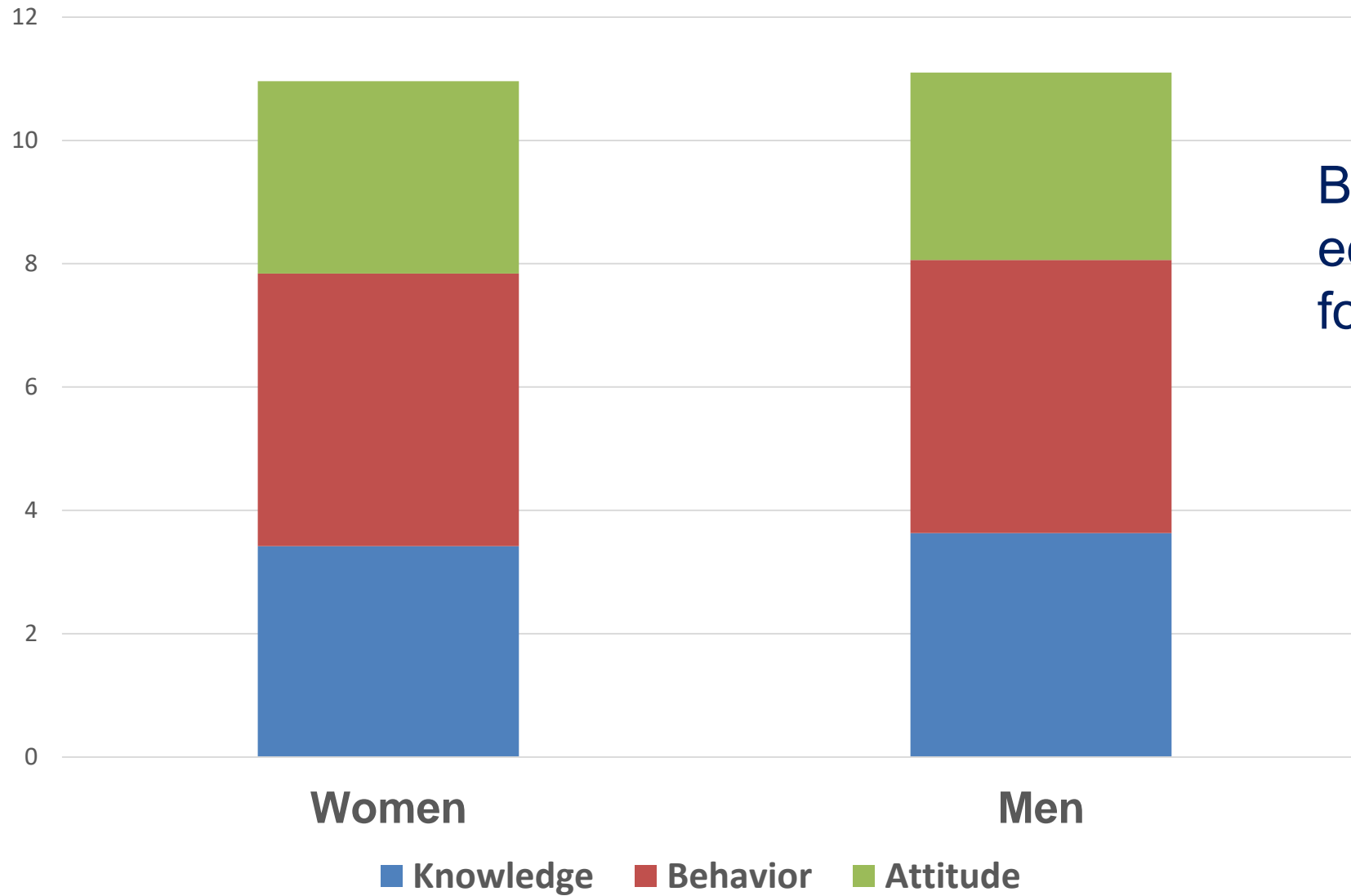
- Low level of **basic knowledge**
- Low level of the **behavioral** score (budget and financial product/services)
- However, the **attitude score** is close to the OECD average



2017) G20/OECD INFE report on adult financial literacy in G20 countries

<https://www.oecd.org/daf/fin/financial-education/G20-OECD-INFE-report-adult-financial-literacy-in-G20-countries.pdf>

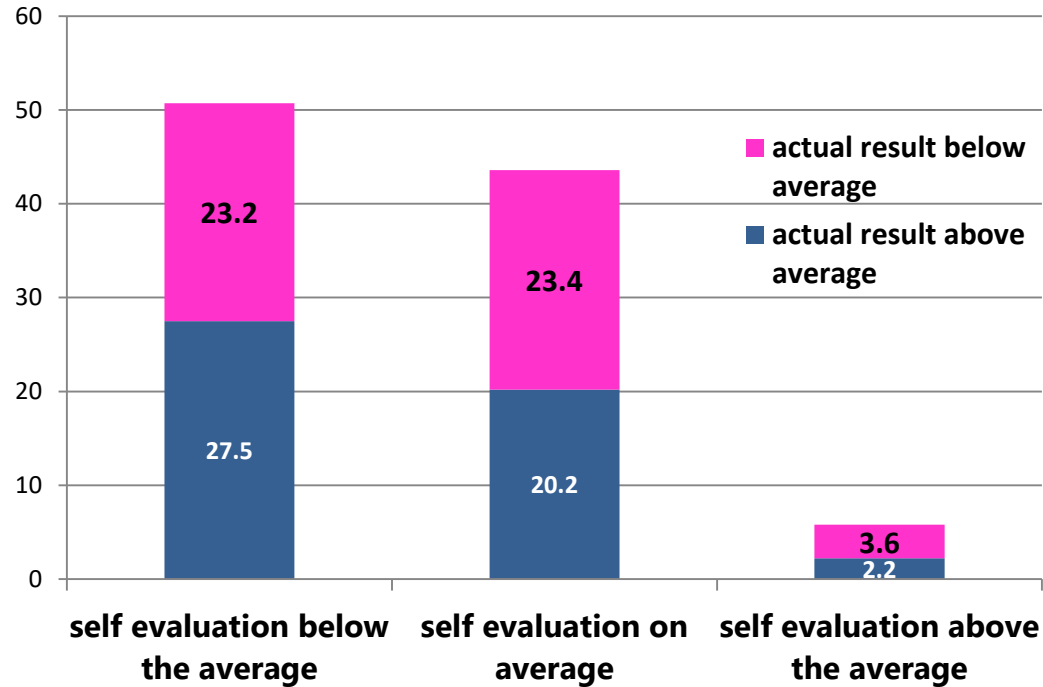
Differences across groups



But also age,
education labor
force status...

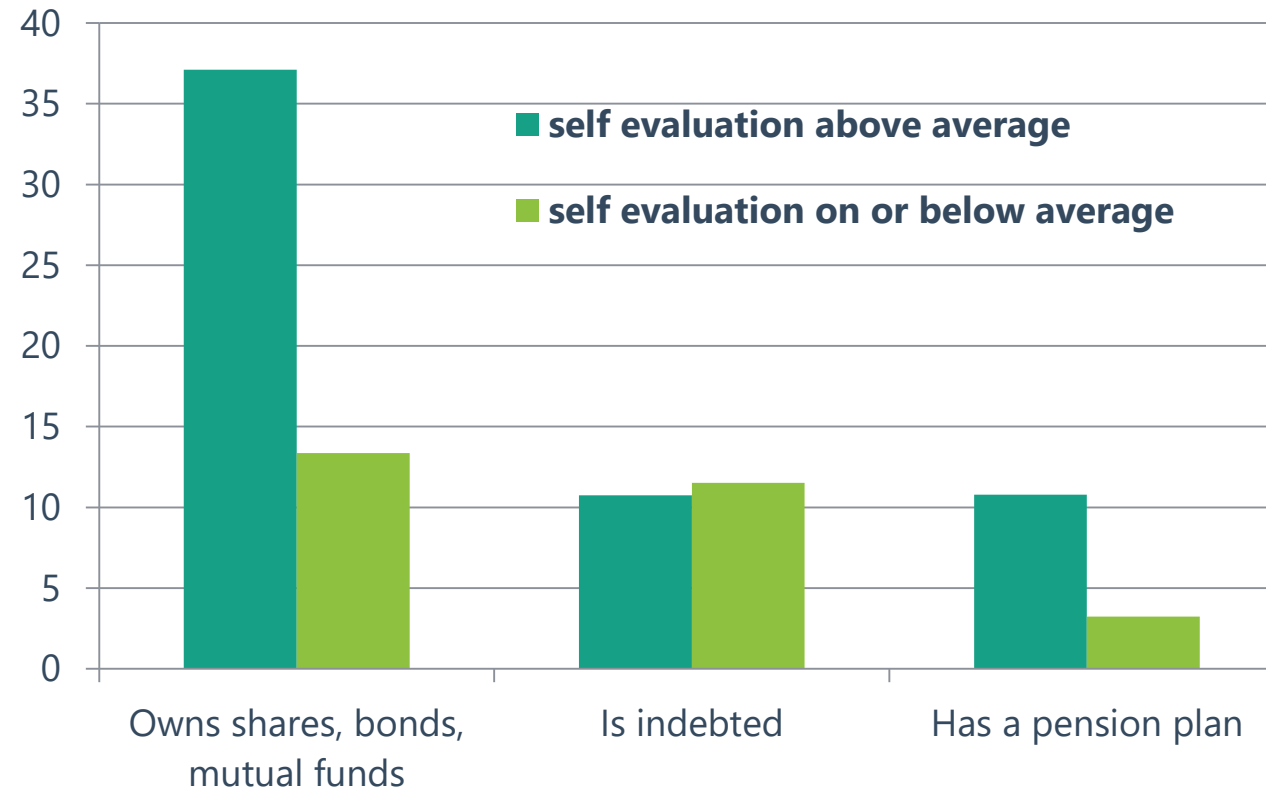
A good starting point

Italians are aware of their knowledge gaps



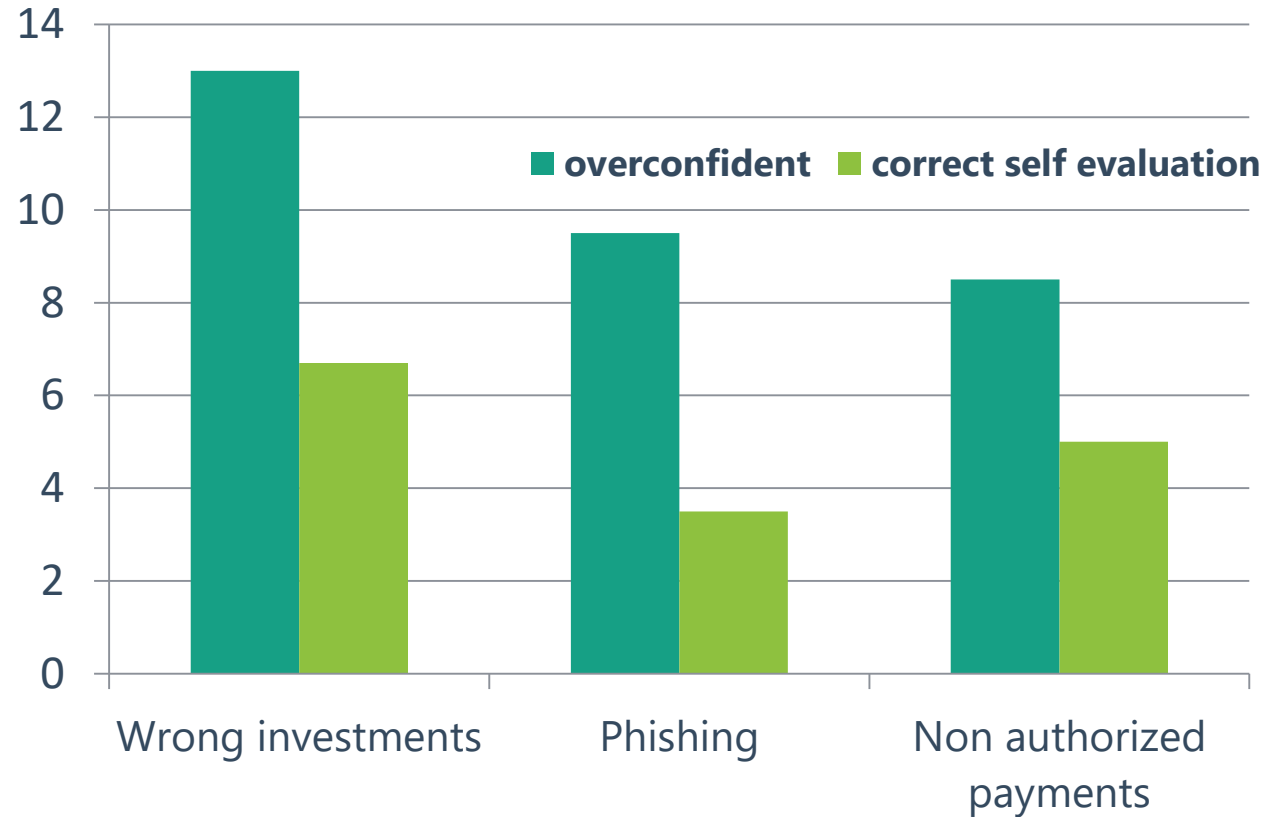
But....

Who is underconfident participates less to financial markets



And...

Even if overconfidence is less common, who is overconfident faces more risks



Hence...

First objective (with Financial education committee): horizontal interventions to reach all citizens and increase attention and knowledge...



Use TV programs,
Radio, newspapers



Hence...

National financial education website
www.quellocheconta.gov : detailed information on all products, events, videos..



Bank of Italy website:
economieapertutti.bancaditalia.it
information, games, videos, also
on behavioral biases...

Hence...

Financial literacy month in October



Ottobre è il mese dell'educazione finanziaria: partecipa agli eventi più vicini a te!

Scopri di più →

#OttobreEdufin2019
Il mese dell'educazione finanziaria www.quellocheconta.gov.it

(2018) *Measuring the financial literacy of the adult population: the experience of Banca d'Italia*, by A. di Salvatore, F. Franceschi, A. Neri and F. Zanichelli - Banca d'Italia, Occasional Paper No. 435
https://www.bancaditalia.it/pubblicazioni/qef/2018-0435/QEF_435_18.pdf

But also targeted initiatives for more fragile groups (in cooperation with the National Committee)

- Women



Soroptimist International
A GLOBAL VOICE FOR WOMEN

- Migrants

- Adult Education Centers (CPIA)



And experiment
with workplace
programs

INAIL

ISTITUTO NAZIONALE PER L'ASSICURAZIONE
CONTRO GLI INFORTUNI SUL LAVORO



**L'ECONOMIA
PER TUTTI**
BANCA D'ITALIA PER LA CULTURA FINANZIARIA



Impact and data

- Difficult to evaluate impact for adults
- 2020 results show some evidence of knowledge improvement
- But to address and modify behavior and attitude requires time and method
- We need data: international comparisons and waves essential to benchmarking evolution
- But we need more detailed data: a) to better understand where are weaknesses and their roots; b) to test what works



Work on methodology...



With the Committee for financial education we are finalizing “Guidelines for FE initiatives for adults” (related to: OECD/INFE core competencies framework on financial literacy for adults)



Lessons learnt from COVID-19



Help from web-based tools

But they have to be engaging, interactive, based on new technology and easy/visual communication



Essential role of financial education for building financial resilience



THANK YOU !!!



OECD/INFE 2020 International Survey of Adult Financial Literacy (Survey) - Malaysia's Experience

**Launch of the OECD/INFE 2020 Survey Report
25 June 2020**

Ms. Arlina Ariff

Director of LINK and Regional Offices
Bank Negara Malaysia
(Central Bank of Malaysia)




BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA



Insights from nationwide and international financial literacy surveys serve various purposes...

1

Formulate financial education (FE) policies and intervention by Financial Education Network (FEN)¹

- **Baseline measurement** for financial literacy (FL) of Malaysians to support formulation and implementation of the National Strategy for Financial Literacy 2019-2023 
- Identify potential **FE needs and consumer vulnerabilities** (e.g. low financial knowledge, unpreparedness for income shocks, lack long-term financial planning)
- Ascertain **specific segments of population** that most needed assistance and FE (e.g. low income groups, MSMEs, workers, youth)

2

Improve existing policies for more effective FE implementation

- Identify appropriate **distribution channels** (e.g. engage local communities via networks of state authorities and agencies, online platform, social media, regional radio interviews)
- Simplify **FE materials/tools** to ensure basic FE information is easily understood and accessible by target segments of population
- **Gauge public awareness** on key initiatives for financial inclusion purposes (e.g. Tenang – simple and affordable insurance product, agent banking, money services business)

¹ Members comprising of Central Bank of Malaysia, Securities Commission Malaysia (SC), Ministry of Education, Ministry of Higher Education, Credit Counselling and Debt Management Agency (AKPK), Malaysia Deposit Insurance Corporation, Employees Provident Fund and Permodalan Nasional Berhad (an investment institution)

Insights from nationwide and international financial literacy surveys serve various purposes...(cont.)

3 Facilitate data analysis to provide insights on specific areas/topics

- **Analysis of survey data** by academician on thematic topics (e.g. research on preparedness of income shock, financial distress and debt management)

4 Support the formulation of consumer protection and financial inclusion policies

- Validate **effectiveness of policies** relating to redress mechanism, access to formal financial services, product take-up and consumer satisfaction, product transparency and disclosure, use of digital channels, understanding on Islamic products/services

Evidence from FL surveys have enhanced FE initiatives in the recent years

2010/2011

- ✓ Malaysia FL Survey 2010
- ✓ OECD Pilot FL Survey 2011

Lesson learnt: the need to...

- extend outreach to wider communities including in rural areas
- implement targeted FE initiatives focusing on key life events throughout life stages

Key initiatives:

- MobileLINK - customer service coach to enhance access to basic banking services and provide advisory services
- FE elements integrated into school curriculum
- Targeted FE programmes (e.g. POWER! Programme) to address specific risks and vulnerable target segments

2015/2016

- ✓ Malaysia FCI² Survey 2015
- ✓ OECD FL International Survey 2016

Lesson learnt: the need to...

- further extend outreach via digital platform and face-to-face engagement at various regions
- establish a more holistic and coordinated approach in implementing FE strategies to accelerate FL of the population

Key initiatives:

- Mobile applications to facilitate consumers to make informed financial decisions
- Karnival Kewangan - a one-stop edutainment event to elevate public's awareness on financial matters and to seek advisory or redress services
- FEN established to coordinate and drive a national financial education strategy

2018/2019

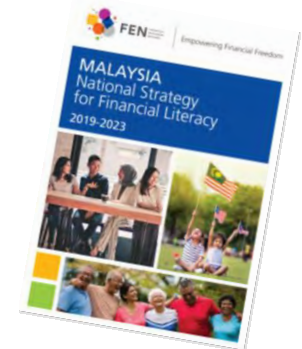
- ✓ Malaysia FCI² Survey 2018
- ✓ OECD FL International Survey 2020

Lesson learnt: the need to...

- have a systematic, sustained and coordinated approach that focuses on promoting long-term behavioural change to improve FL across all segments of society

Key initiative:

- National Strategy for Financial Literacy 2019-2023, which identified 5 strategic priorities supported by 18 action plans



Other studies/assessments to support FE initiatives

● Assessment of POWER! Programme, 2013

● Research on Preparedness of Income Shock, Financial Distress and Debt Management, 2010 (USM)

● Assessment of Capital Markets through Malaysians Investors' Perspective, 2018 (SC)

● Financial Behaviour and State of Financial Well-Being of Malaysian Working Adults, 2019 (AKPK)

² Financial Capability and Inclusion Demand Side Survey

Thank You

Additional Information

The National Strategy for Financial Literacy 2019-2023 (NS)

- ✓ 5-year roadmap with a vision to improve financial well-being of Malaysians
- ✓ NS outlines five Strategic Priorities with eighteen specific Action Plans for the implementation of identified FE initiatives
- ✓ NS was launched by Prime Minister on 23 July 2019
 - Emphasise that raising financial literacy is a long-term obligation that requires the sustained efforts and commitment of many parties

Overview of the NS



For more information please visit <https://www.fenetwork.my/>